Bell-wether for Bush

Detroit's floating voters

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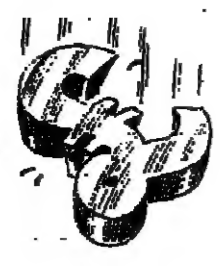

Falling Pound

How it ties down UK policy

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Patten's dash for popularity

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● *Cable and satellite broadcasting*

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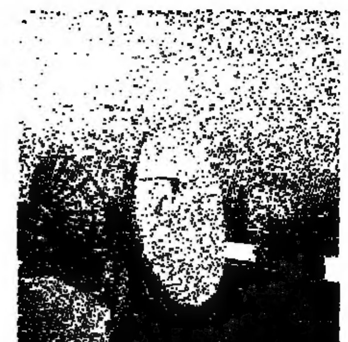


FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY OCTOBER 6 1992 — D8523A

More than 250 feared dead in Amsterdam crash

Hope was fading yesterday of finding any more survivors among the more than 250 people missing after Sunday's El Al cargo jet crash in Amsterdam. Eighty flats, home to 239 registered residents, were reduced to smouldering rubble after the Boeing 747 slammed into two linked apartment buildings and set off fierce fires. Page 20; Insurers *may boost rates*, Page 2

Starvation stalks Sarajevo: A World Health Organisation expert warned that Sarajevo's children would start dying of starvation this month unless more food were airlifted into the besieged Bosnian city. Page 2

Reorganisation at Marriott: The big US hotels and food services group is splitting its management operations and its property assets into two separate quoted companies. Page 21

US boost for SmithKline drug: A US Food and Drug Administration committee is recommending approval of SmithKline Beecham's Seroxat antidepressant. Analysts think the drug could generate worldwide sales of £350m ($623m) within four years. Page 21

GM's productivity lag: General Motors' vehicle assembly productivity lags far behind that of fellow US carmakers Ford and Chrysler, says a report by industry consultants. Page 22

Nordbanken, the Swedish state bank, made losses of SKr8.4bn ($1.57bn) for the first eight months of the year against SKr3.433bn for the same period of 1991. Loan losses were SKr10.015bn. Page 27

Moscow accused: Georgia accused the Russian air force of shooting down a helicopter over its breakaway region of Abkhazia and killing its crew. The claim comes at a time of worsening relations between Tbilisi and Moscow. Page 2

Air France, the French state airline, has won European Commission clearance to take 37.6 per cent of its Belgian counterpart Sabena, as long as rival carriers are allowed to compete on certain routes. Page 22

Cigarette prices to rise: The French government is planning a two-stage price rise that will put up the cost of cigarettes by 14 per cent over the next 10 months. The increase is expected to generate an extra Fr1.5bn ($100m).

Zimbabwe's drought hits business: More than 30 companies in Bulawayo, Zimbabwe's drought-stricken second city, are applying to move to another town because water and power shortages threaten them with closure.

Eurotunnel shares fall as project delayed:

Eurotunnel shares lost almost 15 per cent to close in London at 358p after chief executive Sir Alastair Morton (left) warned that the opening of the Channel tunnel between France and Britain would be further delayed and that shareholders might be asked to put up more cash. The tunnel is not now expected to open until December 1993 at the earliest. Page 21; Lex, Page 20

Hong Kong's future: Governor Chris Patten is today due to unveil his plans for Britain's last five years of colonial rule over the territory. Page 6

Trawler sinks: Three people were killed and two were missing after a Norwegian trawler sank in Arctic waters west of the Svalbard archipelago.

US power plant blast: Three people were mising after an explosion and fire in a coal-fired electrical power plant in Merom, Indiana. A dozen others were rescued by helicopter.

■ STOCK MARKET INDICES

FT-SE 100:	2,446.3	(−103.4)
Yield	4.91	
FT-SE Eurotrack 100	937.42	(−56.14)
FT-A All-Share	1,161.71	(−3.6%)
Nikkei	17,101.50	(−222.57)
New York:		
Dow Jones Ind Ave	3,179.00	(−21.61)
S&P Composite	407.57	(−2.9)

■ US CLOSING RATES

Federal Funds:	3⅛%	(3⅛%)
3-mo Treas Bills: Yld	2.673%	(2.654%)
Long Bond	98 11/32	(98 13/32)
Yield	7.345%	(7.329%)

■ LONDON MONEY

3-mo Interbank	9 7/16%	(9⅛%)
Liffe long gilt future:	Dec 95 5/32	(Dec 95⅞)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$20.375	(20.5)

■ Gold

New York Comex (Oct)	$350.5	(348.1)
London	$351.85	(348.15)

■ STERLING

New York:		
$	1.7133	(1.7285)
London:		
$	1.78	(1.726)
DM	2.3925	(2.43)
FFr	8.1175	(8.2275)
SFr	2.095	(2.15)
Y	203.25	(206)
£ Index	80.5	(81.1)

■ DOLLAR

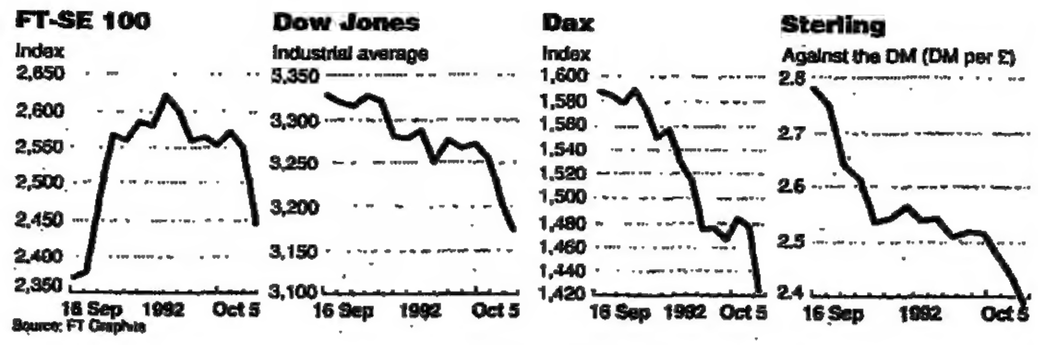
New York:		
DM	1.4215	(1.4095)
FFr	4.8275	(4.7695)
SFr	1.2385	(1.2315)
Y	118.85	(119.375)
London:		
DM	1.407	(1.4085)
FFr	4.775	(4.7675)
SFr	1.228	(1.245)
Y	119.6	(119.3)
$ Index	60.2	(60.4)
Tokyo close Y 119.25		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00		

■ Equities in record drop ■ Sterling falls against D-Mark ■ Interest rate fears

Plunging markets test Major

By Philip Stephens in Brighton and Peter Marsh in London



MR JOHN MAJOR, the UK prime minister, last night faced a crisis of confidence in London's financial markets after a slump in share prices and a sliding pound raised intense pressure for a clear statement of the UK government's economic strategy.

As the markets cast a shadow over the opening today of the Conservative party conference, Mr Major responded to crumbling confidence by stressing that low inflation remained the "centrepiece" of his policy.

But share prices had already suffered their biggest one-day fall for five years, prompting Lord Tebbit, a former Conservative party chairman, to warn that Britain now faced "an economic and political crisis".

Arriving in Brighton, the prime minister told journalists that sterling, which yesterday fell to another record low against the D-Mark, had been caught in the much wider turbulence on financial markets across Europe, adding: "These things happen from time to time. . . .I don't think people should get unduly panicked about it."

Later, he dispelled some of the recent speculation about an emergency package of tax increases by telling a meeting of Conservative party officials that he remained committed to a "low taxation economy".

But as Mr Michael Heseltine's budget at the Department of Trade and Industry emerged as the latest victim of the Treasury's spending cuts, Mr Major added that he would not shirk "difficult choices" over public spending.

The deepening economic gloom meanwhile was further underlined by a warning from the Building Employers Confederation of further big job losses in the building industry.

Throwing a pall over what had already promised to be a fractious party conference, the London stock market recorded its biggest one-day fall since the crash of 1987. The FT-SE 100 share index closed down 103.4 at 2,446.3, reflecting concern about the apparent lack of direction to UK economic policy.

The policy vacuum saw the pound lose another 3¼ pfennigs to DM2.3925. In the past three trading days, sterling has fallen 12¼ pfennigs and at last night's level, it is more than 55 pfennigs below its former central rate of DM2.95 in the European exchange rate mechanism.

But as sterling's weakness intensified concerns among senior Conservatives that the government might soon be forced to raise interest rates, Mr Major declined to anticipate Mr Norman Lamont's speech to the conference on Thursday.

He told journalists: "I am not going to pre-empt what the chancellor is to say. But we have made it perfectly clear that the centrepiece of our economic policy remains to get inflation low and to keep inflation low."

Mr Lamont now faces growing pressure from the City to use what was originally envisaged as a general description of economic objectives to issue a more detailed statement of how policy will operate outside the ERM.

Senior ministers were still stressing yesterday that the party conference did not provide the right venue for a technical anaylsis of the operation of monetary policy. But they acknowledged that unless Mr Lamont offered a clear set of guidelines on Thursday, the markets might force a damaging rise in interest rates.

Speaking at a private dinner for party officials last night, Mr Major acknowledged that sterling's ignominious departure from the ERM had left his government under fire. But in what senior Tory officials characterised as a "fighting speech", Mr Major indicated that he was ready to spell out the "home truths" on which economic policy would be based.

He sought also to pre-empt the threat of a damaging battle over Europe by stressing from the outset of the conference that his would not be budged from his support for the Maastricht treaty. Previewing the core of his closing speech to the full conference on Friday, Mr Major said ratification of the treaty was essential to maintain Britain's influence in shaping the future of Europe.

Sir Norman Fowler will attempt to reinforce the call for unity when the conference opens this morning with a warning to delegates that the Conservatives have built their election victories by eschewing public divisions.

But leading Tory Eurosceptics signalled they would demonstrate the strength of opposition within the party to Maastricht.

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Smiling start to the day: Norman Lamont with his Treasury chief secretary Michael Portillo in Whitehall yesterday

Fears over world economies trigger share drop

By Our Economics and Markets Staff

SHARE PRICES fell sharply in Europe and Japan yesterday amid fears that the world's economic difficulties may be deepening.

The large selling of shares was triggered by mounting worries about the lack of a recovery in the US and Japan, coupled with waning hopes of imminent cuts in German interest rates.

Adding to the gloom was more selling pressure on some of the the weak currencies in the European exchange rate mechanism, which stoked expectations that the ERM might require another realignment soon.

Across continental Europe, share prices showed their biggest one-day drop since the attempted coup in Moscow in August last year, while in London the stock market fell by its largest amount in a single day since late 1987.

Among the bourses affected were Paris and Frankfurt, which recorded losses of 4.3 per cent and 3.6 per cent on the day, while Stockholm fell by more than 6 per cent.

Meanwhile, investors switched funds into D-Marks and out of several of the weak European currencies and the dollar, on speculation that Germany is unlikely in the near future to ease credit policy.

The dollar's weakness was also helped by the belief among some investors that the US Federal Reserve may cut its short-term interest rates soon, perhaps after today's meeting of its policy-making open markets committee. Such a move could add more stimulus to the flagging US economy, which some believe is heading for a "triple dip" recession.

In Europe, the French franc and the Spanish peseta came under renewed pressure against the strong D-Mark. The day also saw large falls in both the Italian lira and sterling, both of which are now floating outside the ERM.

These new signs of currency turbulence added to expectations that the mechanism, which in recent weeks has suffered its greatest strains since its formation 13 years ago, may require another realignment to allow for a devaluation of some weak currencies against the D-Mark.

Yesterday's strains on financial markets started with a 222.57 fall in the Nikkei index in Tokyo, where the stock market has been weak recently due to worries about sluggish economic activity.

The fall in the Japanese index, which closed at 15,101.50, was one of the factors pushing down investor confidence in Europe and the US. When trading opened on Wall Street the Dow Jones Industrial Average quickly fell more than 100 points. The share price slide in New York was prompted by concern about the economic outlook and disappointment that the Fed had not already cut interest rates after last Friday's poor employment figures. Added to this was heavy computerised "program selling". Later, US share prices recovered strongly as some investors gambled on another interest rate cut and others bought stocks cheaply. The Dow eventually closed at 3,179.00, down 21.61.

Hanson launches £780m bid for Ranks Hovis McDougall

By Maggie Urry and Guy de Jonquieres in London

HANSON, the Anglo-American conglomerate, yesterday launched a hostile £780m ($1.39bn) cash bid for Ranks Hovis McDougall, the milling, baking and grocery products group, in a move which could lead to a restructuring of the industry.

The bid, the first sizeable hostile takeover in the UK stockmarket for some months, comes at a time when profits in the UK milling and baking industry are under severe pressure. Hanson said its managerial skills and financial strengths could assist its restructuring.

Hanson's attack also revives questions about the acquisitive group's strategy, which had appeared to change following criticism when it took a 2.8 per cent stake in Imperial Chemical Industries last year.

Lord Hanson, chairman of Hanson, offered to have "amicable and constructive discussions" with RHM. In a letter to Mr Stanley Metcalfe, chairman of RHM, Lord Hanson said "RHM seems to have lost its way forward since the time of the bid in 1988 when you turned down 465p a share."

Mr Metcalfe said he was surprised by the bid but was prepared to meet Lord Hanson to discuss it. However, RHM said there was "no commercial logic" in the offer and that it "seriously undervalues" the company.

After the 220p a share offer was announced, RHM shares rose to 241p, up 66p yesterday. RHM shares had been firm in recent weeks as bid speculation mounted, rising from 140p on September 4. Hanson shares fell 5¼p to 202p.

In 1988 RHM survived a takeover bid at 465p and later rebuffed an approach from a consortium led by Sir James Goldsmith, the financier. In January last year Sir James sold a 28.5 per cent stake in RHM at 300p.

The group's profits have declined from a peak of £176.5m pre-tax in 1989 to £150.2m last year. Forecasts are for a further fall to under £100m in the financial year which ended in August. Mr Metcalfe saw no hopes of an early recovery in the bread market which has suffered from overcapacity and severe price competition.

Mr Martin Taylor, vice-chairman of Hanson, said that the group had been watching RHM for a long time, and in the last month had decided to explore it further and bid. He said there was no particular trigger for the offer.

He denied that the move represented a reversion to "old-style" Hanson tactics, adding that the group's aim had always been to enhance value for its own shareholders.

Hanson has net debt of about £1bn, but has substantial sterling cash balances. RHM has net cash in its balance sheet.

Hanson is advised by N M Rothschild & Sons, RHM by Morgan Grenfell.

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Famine deaths soon in Sarajevo, warns WHO

By Frances Williams in Geneva and Reuter in Sarajevo

THE PEOPLE of Sarajevo could face famine on the scale of Somalia this winter if the relief effort is not greatly expanded, the World Health Organisation warned yesterday. Sir Donald Acheson, WHO special representative for the former Yugoslavia, said that unless 240 tons of food went into the besieged Bosnian capital every day from now on, "children will begin to die of starvation in about four weeks' time, adults about four weeks later, and in January we might expect to see pictures in one of the capitals of Europe which we have become familiar with in the Horn of Africa." Warehouses were empty in Sarajevo, where 380,000 people are trapped.

The humanitarian airlift, which resumed on Saturday after a four-week suspension, is being curtailed by short daylight hours and bad weather. At its peak, however, it carried no more than 220 tons of food a day.

His warning came on a day of fierce fighting in which more than a dozen people were killed. Fires ignited by incendiary shells from Serb guns blazed in the Moslem quarter *of Hrasno during what its* defenders called "the worst day of the war". Flames whipped by winds swept three blocks of flats and two office buildings in the district on the south bank of the Miljacka River dividing the capital. The shelling started with an attack on the nearby Holiday Inn. Three floors were set on fire by direct hits from tanks firing incendiary shells.

Sir Donald said the numbers *dying in Sarajevo this winter* would depend on the action taken by governments to deal with the emergency. But if the population did not get more than a few tons of food a day for the next three months, "perhaps the majority" would starve to death. To get the required amount of food into the city, the UN needed bigger transport aircraft, more trucks, and opening of road and rail routes from the Croatian port of Ploce via Mostar.

Last week the UN High Commissioner for Refugees said 400,000 people in Bosnia-Hercegovina could die of hunger and cold in freezing winter temperatures. About 300,000 displaced people in Bosnia have no shelter at all, and hundreds of thousands more lack window coverings.

Lord Owen, the European Community mediator, said only a quick cessation of hostilities in Sarajevo would prevent widespread starvation and deaths from exposure.

He and the United Nations mediator, Mr Cyrus Vance, urged Mr Radovan Karadvic, *Bosnian Serb leader, not to* jeopardise talks planned for today in Sarajevo between military commanders from the warring factions. Mr Karadvic has threatened to withdraw from the peace process if the UN Security Council imposes a "no-fly" zone over Bosnia.

Germans agree plan on health reforms

By Quentin Peel in Bonn

GERMANY'S pharmaceutical industry, doctors and dentists yesterday joined forces in opposition to a new health service reform plan, which places the brunt of sweeping subsidy cuts on their own costs.

The compromise plan was thrashed out during four days of talks among health specialists from the three parties in the ruling coalition, and from the opposition Social Democrats, chaired by Mr Horst Seehofer, the health minister.

The plan requires the pharmaceutical industry and the medical profession to pay for more than DM10bn (£4bn) out of a total DM11.4bn in reduced subsidies for health care from the state budget, with the balance being borne by patients.

Given the cross-party support for the plan, it now seems certain to win parliamentary approval, but it is still likely to face fierce opposition from the drug manufacturers, doctors and dentists, some of whom have already staged token strikes.

Dr Karsten Vilmar, president of the federal general medical council, said patients would inevitably be the losers from the savings plan. Savings of more than DM11bn would only be possible if medical services were cut by that amount, he said.

He called for value added tax on medicines to be halved to help cut costs. He also sharply criticised a proposal to place a strict ceiling on the number of doctors who can register with the state subsidised medical insurance schemes.

The German pharmaceutical industry association (BPI) said the compromise package represented a "missed opportunity" for a more comprehensive reform of the health system". Apart from strict measures to control drug prescriptions, the plan calls for a real 5 per cent cut in prices of medicines, and a two-year price freeze.

A key criticism by the industry is that the limit on drug prescriptions would worsen the treatment of patients, and threaten the existence of some pharmaceutical makers.

"The pharmaceutical industry refuses to be called to account for possible excess spending on medicines," the BPI said.

In spite of the hostile reaction, a clearly delighted Mr Seehofer insisted that the hard-won political compromise was both "effective and fair". It will be presented to parliament and should be law before the end of the year.

El Al claims may prompt insurers to boost rates

By Richard Lapper

The El Al crash will leave insurers with multi-million dollar insurance claims. Coming hard on the heels of last week's loss of a Pakistan International Airlines A-300, expected claims of more than $62m (£34.8m) will add to pressure for increases in insurance premiums paid by airlines.

El Al's insurance is led by syndicate 48 at Lloyd's of London. Lloyd's said yesterday that 50 per cent of the claim would be met by Lloyd's and London market insurers, with local Israeli companies picking up a portion of the remainder.

Alexander Howden, the brokers who handle the account, confirmed that the hull was insured for $62m. The aircraft was carrying between 110 and 120 tonnes of cargo although an international convention (which limits compensation to $20 per kg) will restrict the size of any potential payout to about £2.3m.

Claims due to the death of three crew and one passenger are limited by international convention. The greatest area of uncertainty surrounds personal injury awards to the relatives of the more than 250 people feared killed on the ground.

Dutch courts do not make awards in compensation for bereavement or for any "pain and suffering".

Compensation awards could be higher if victims are able to take their complaints to US courts.

One potential target for litigation could be the US engine manufacturer, Pratt & Whitney.

Claims could well have an impact on the international aviation insurance market. According to Mr William Barham of the brokers Willis Corroon, over three quarters of the world's airlines renew their annual policies in October and November and a number are currently negotiating renewal terms.

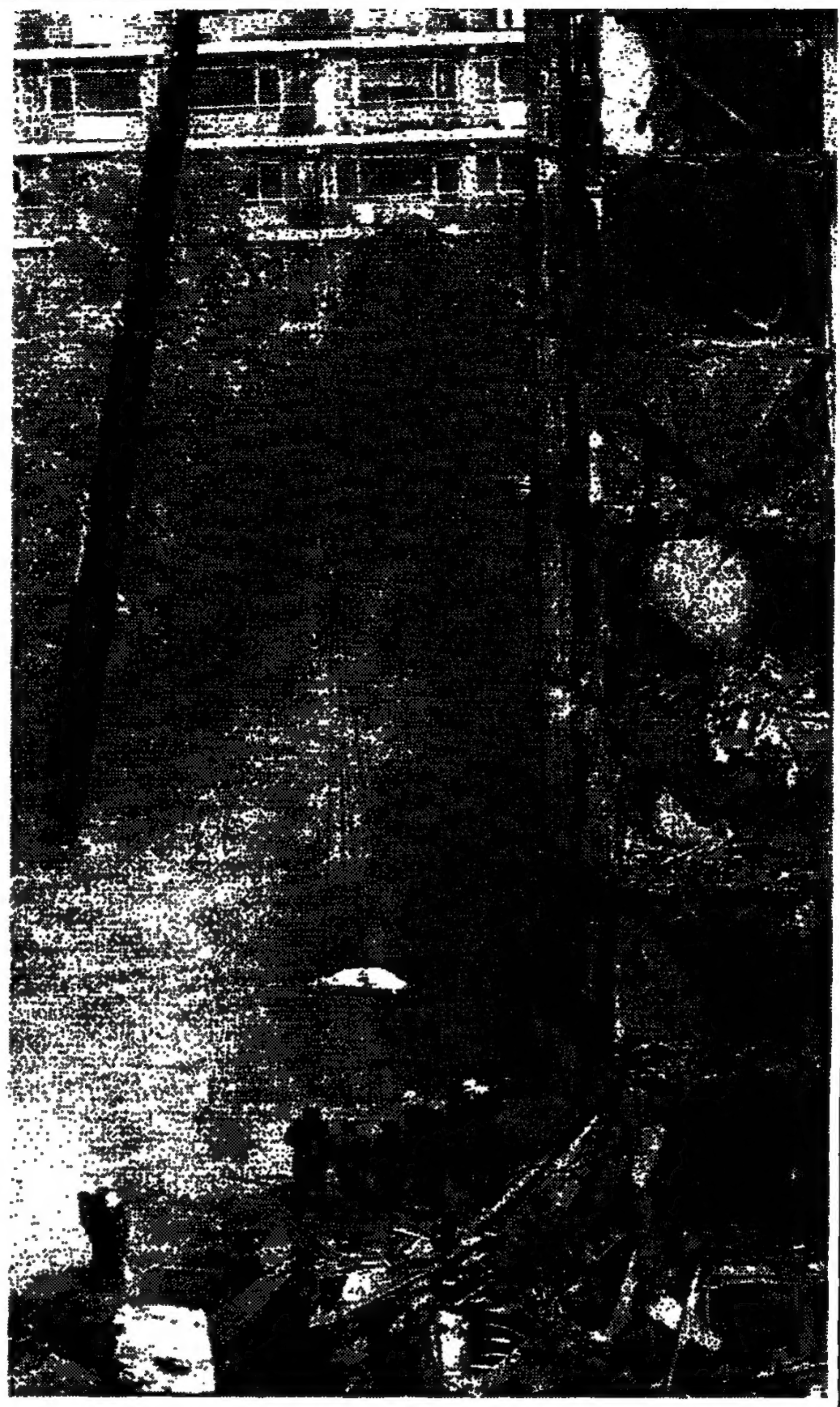
"It is conceivable that those insurers who haven't already negotiated terms may seek to increase rates," said Mr Barham.

Underwriters imposed sharp increases in rates last autumn but this year overcapacity and competition between insurers has limited the size of increases.

Willis reported last month that "early renewals show hull rates as before or only slightly increased with liabilities receiving token increases of less than 10 per cent."

● Hugh Carnegy adds from Jerusalem: The crash was the first disaster of its kind to hit El Al. The aircraft which crashed was one of two dedicated cargo aircraft operated by El Al, both Boeing 747s.

Any issue of compensation could be complicated by El Al's legal status. Fully owned by the state, the airline has been in receivership since 1982, when it was swamped by debts and labour disputes. However, it has been in profit for the last six years and is a candidate for privatisation.



A crane lifts a body out of the wreckage of the block of flats in an Amsterdam suburb hit by the El Al jumbo jet on Sunday night

Aviation experts suspect mechanical problems

By Paul Betts, Aerospace Correspondent

A MECHANICAL or structural problem appears to have been the most likely cause of the El Al crash, although the possibility of sabotage has not been entirely ruled out.

European civil aviation safety officials said that aircraft accidents on take-off tended to be mechanical, while landing accidents were quite often caused by pilot error.

The Boeing 747 freighter crashed after losing its two starboard engines soon after take-off, when both caught fire.

Dutch civil aviation officials found the engines in a lake about nine miles from the crash site. These, together with the aircraft's "black box" flight recorder, are expected to provide vital clues to the cause of the accident. Boeing, the airframe manufacturer, and Pratt & Whitney, the engine maker, have both sent experts to Amsterdam to help Dutch officials and two teams of investigators from Israel.

Aviation experts suggest the most likely cause of the accident was an uncontained explosion at take-off in one engine of the jumbo, which led to the failure of the other engine. Another possibility is structural failure in an engine mounting or pylon which could have ripped one of the fuel lines in the wing, causing fire and damaging the second engine. Pilot error was ruled out. "With one engine out it would be possible to make it back to the airport but with two on fire he would not have had a cat in hell's chance," said Mr Charles Darke, general secretary of the British Airline Pilots Association.

The crash of a wide-body airliner in a densely populated area has long been regarded as the aviation industry's nightmare. Anti-airport pressure groups have repeatedly warned about the potential danger, although air transport has a better safety record than road or rail. The El Al accident is now likely to prompt renewed calls to stop airliners flying over crowded city areas and for the siting of new airports outside urban centres.

NEWS IN BRIEF

Consumer prices up by 7.4% in Turkey

CONSUMER prices in Turkey rose 7.4 per cent in September, the highest rate since January, according to the state statistics institute, writes **John Murray Brown in Istanbul.** The rise was fuelled by a 10 per cent increase in agricultural prices: fruit and vegetables jumped 31 per cent. In manufacturing, private sector prices rose 5.5 per cent over August, and state industries 5.8 per cent.

Norway budget

The Norwegian budget for 1993 leaves the welfare state intact but raises the deficit to a new record, Reuter reports from Oslo. Announcing a NKr49.2bn (£4.87bn) deficit, an increase of around NKr8bn over 1992, the Finance Ministry added: "The main task now is to lay the conditions for increased employment on a permanent basis."

Total spending will rise 5.4 per cent to NKr371.8bn, relying heavily on North Sea revenues from oil and gas. Total income is forecast to rise 3.5 per cent to NKr322.6bn. Some price subsidies will be cut, saving NKr730m, and the defence budget is to be trimmed by NKr480m.

GDP growth is expected to slow to 1.5 per cent next year from 2.5 per cent in 1992. The current account surplus is estimated to rise to NKr17.5bn.

Italian strike

Italy's three main union confederations last night decided to call a four-hour general strike on October 13 in protest at pension and health service cuts proposed in the 1993 budget, writes **Robert Graham in Rome.** The decision represents an escalation of union pressure on the government, but it has been undermined by serious public misgivings within the union leaderships about calling a general strike.

EC to seek pacts with ex-Soviet republics

By Lionel Barber in Luxembourg

THE European Community should negotiate broad trade agreements with the former Soviet republics, EC foreign ministers agreed yesterday. It will begin with Russia, Belarus, Ukraine and Kazakhstan.

Mr Boris Yeltsin, Russian president, is to visit Brussels later this year to discuss bilateral trade.

During the ministers' meeting in Luxembourg yesterday, Germany proposed a future free trade area embracing the EC and Russia. Although a long-range proposal, it met stiff opposition from Portugal and France. It reflects Bonn's fears about instability in eastern Europe and its greater sense of obligation towards helping countries on its eastern border compared to other EC members.

● Foreign ministers of Poland, Hungary, the Czech federation and Slovakia yesterday presented a formal request to begin EC membership negotiations by 1996, with a view to entering the Community by the end of the century.

The so-called Visegrad trio submitted their proposal during the first official meeting with EC foreign ministers in Luxembourg.

The EC response was noncommittal. It has signed association agreements with the three states as a step to future membership but the emphasis is much more on political co-operation than on full membership of the EC with all the commensurate economic benefits.

Although the Twelve are publicly committed to helping these former communist countries they have been slow in offering trade concessions.

The small wars are a big problem for Russia

Asian conflicts, writes **John Lloyd**, continue to widen in significance

THE SMALL wars around Russia's perimeters are growing and acquiring an increasing geo-political significance. All three of the Trans-Caucasian republics on Russia's southern border – Georgia, Azerbaijan and Armenia – are engaged in ethnic conflict. In Tajikistan, rival groups continue their bloody battle for control.

Russian troops are embroiled on all sides in conflicts which are creating thousands of refugee families living in squalid misery, usually in the states' capitals, and which are leaching away already vastly depleted reserves.

The Caucasian and Tajik crises are to top the agenda at a meeting on Friday of the heads of state of the Commonwealth of Independent States in the Kyrgyz capital of Bishkek. Discussions have already begun on sending in peacekeeping forces to all of them.

But there a desire within the CIS not to internationalise the conflict. Georgia and Tajikistan do not want the involvement of Russian or other CIS forces. Russia does not want the involvement of the United Nations. Yet the scope for internal pacification narrows as the internal chaos increasingly grows.

Russia and its neighbours : the flashpoints

Georgia accused the Russian air force of shooting down a helicopter and killing the two-man crew over its breakaway region of Abkhazia, amid a worsening crisis in relations with Moscow. Reuter reports from Moscow. Russia's Defence Ministry denied responsibility and blamed Abkhazian separatists for downing the Mi-24 helicopter with a ground-to-air missile, Itar-Tass news agency said.

Mr Eduard Shevardnadze, the Georgian leader, told the ruling state council that the helicopter was shot down by a Su-25 fighter-bomber which took off from a Russian base at Gudauta.

Tass said the stricken helicopter fell into the Black Sea after the attack near the coastal resort of Gagra, focus of fierce fighting since last weekend.

The Georgian leader, Mr Eduard Shevardnadze, is having a terrible time. At the weekend, he again threatened to resign following a visit to the separatist region of Abkhazia, in north-western Georgia. His forces were last week thrown out of the town of Gagra, where they had been engaged in fierce clashes with irregulars fighting for autonomy. He has promised to get the town back, but reports yesterday suggested it was securely in Abkhazian hands.

Mr Shevardnadze has been forced into making anti-Russian noises, threatening to take over the arms of the Russian troops still deployed in his republic. That in turn caused the Russian defence minister, General Pavel Grachev, to warn on Saturday that any attempt to seize weapons would be forcefully resisted.

Russian influence in the Caucasus is waning fast. Russia can either let its southern Caucasian republics go or assert its power by force. There are proponents of both views in the Russian government and parliament, with the latter one prevailing.

Meanwhile, the war in Abkhazia has become, in the past two weeks, even bloodier than the still-running conflict between Armenians and Azerbaijanis in Nagorno Karabakh. Where, in the case of Nagorno Karabakh, the Christian-Moslem antagonism is clear in the desecration of each other's holy places, so the same malign energy begins to be evident in the Georgian/Caucasian conflict.

The Abkhazian rebels are supported by the Confederation of Mountain Peoples, which ended a conference in the largely Moslem republic of Chechen Ingushetia over the weekend with a rousing denunciation of Russia from General Dzhokar Dudayev, the republic's president.

He called Moscow the "source of all evil" and proposed that "unless we become masters of the Caucasus now, we may share the plight of the Moslems of Bosnia." There have been demonstrations in neighbouring Kabardino-Balkaria, agitating for a Moslem-dominated Caucasian federation.

In Tajikistan, the new government in Dushanbe under acting President Akbarsho Iskandarov is faced with a sustained challenge from forces loyal to the ousted, former Communist President Rakhmon Nabiyev. His troops have waded into the southern town of Kurgan-Tyube through the blood of hundreds of its inhabitants. The new government is more pro-Moslem than the old, though it is still largely composed of former Communist officials manoeuvring for position.

Islamic parties, both moderate and radical, are increasing in influence in both Tajikistan and neighbouring Uzbekistan: however, the lines of struggle are complex, with rival groups taking different sides. Mr Nabiyev's supporters are probably being helped by Mr Gulbuddin Hekmatyar, the leader of the Islamic Party of Afghanistan. According to Mr Davlat Khudonazarov, a rival of the former president, Mr Hekmatyar is meddling in Tajik affairs in order to promote Uzbek-Tajik rivalry and thus extend his own influence over the area.

The hapless Russians are again trapped in the fighting – on guard on the Tajik-Afghan border, deployed round the main hydro-electric station and as ordinary citizens living and working in the republic. Here, as elsewhere, they have no secure allies left in power and can only appeal to the feeble structures of the CIS as an antidote to further atomisation and bloodshed.

Adviser to Kohl will step down

By Quentin Peel

MR HORST KOHLER, state secretary responsible for international relations in Germany's Finance Ministry and a close adviser to Chancellor Helmut Kohl, is planning to quit next year to become president of Germany's influential association of savings banks.

The move means Mr Kohl will lose an important confidant at a sensitive time for Germany and the world economy. Mr Köhler is said to want more time with his family.

He was Germany's chief negotiator for the economic aspects of the Maastricht treaty, Mr Kohl's sherpa for world economic summits, and leader of western negotiations with Russia on an international aid package.

See Observer

CIS leaders face key decisions on economic future

By John Lloyd in Moscow

LEADERS of the Commonwealth of Independent States will face crucial decisions on the creation of a single monetary system and the development of common economic policies within the remnants of the rouble zone when they meet in Kyrgyzstan on Friday.

Foreign ministers of the states met in Moscow yesterday to draw up an agenda. One key proposal comes from Mr Nursultan Nazarbayev, the president of Kazakhstan.

Mr Nazarbayev has suggested a "two-speed" CIS with common economic policies for the inner core.

But this will leave the "outer ring" states, especially Ukraine, with the harsh choice of leaving the Commonwealth or delaying plans to introduce their own currencies.

The Ukrainian delegation attended yesterday's meeting as observers, reinforcing the likelihood of Ukraine being pushed at least to the edge of the CIS, if not out of it entirely. The Russians and Ukrainians began discussions in Kiev at the weekend on a procedure for the introduction of a new Ukrainian currency.

Mr Andrei Kozyrev, the Russian foreign minister, said after a meeting of CIS foreign ministers in Moscow yesterday that 24 items were on the summit agenda.

They included such military questions as the future of the Black Sea fleet, now under joint Ukrainian-Russian jurisdiction, and the future of the strategic missiles in four of the CIS member countries.

Mr Kozyrev said that the CIS "would not be a mechanism for a civilised divorce but an instrument for the further strengthening of joint action between the states".

Marshal Yevgeny Shaposhnikov, the head of the CIS armed forces, told the official news agency Itar Tass last night that the two main military problems were the various "hot spots", especially Tajikistan, and the future of the strategic forces.

He said that he was confident of the positions of Russia, Belarus and Kazakhstan, but could not define the precise position of Ukraine, especially since its change of government.

"We must hope that the position of Ukraine will be matched with the position of the other three [nuclear] states of the CIS," Marshal Shaposhnikov said.

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UK proposes a relaunch to save treaty

By Lionel Barber in Luxembourg

BRITAIN yesterday proposed to its EC partners at a meeting of foreign ministers a hard-sell campaign to recapture public support for the Maastricht treaty.

The initiative was proposed in a letter from Mr John Major, the prime minister and current EC president, to EC leaders last week.

Mr Douglas Hurd, the British foreign minister, said the aim was to allay widespread public anxiety about the community.

The campaign would call for more openness in the Community's managing of its affairs, minimum interference in individual states and promotion of the community's benefits to EC citizens.

Despite general agreement on the importance of subsidiarity – whereby the community will not intervene in matters which can be better handled by member states – yesterday's meeting was divided about its application.

Smaller states expressed misgivings about German efforts to curtail, in the name of subsidiarity, the sole right of the European Commission to draft legislation. Under the German proposal – supported in principle by Britain – the Commission would have to send legislative proposals in advance to national capitals for "screening". While this would not amount to a national veto, smaller states feared this could be the ultimate Anglo-German aim.

Ireland voiced concern that the German proposal would "upset the institutional balance of the EC", while Spain led a vigorous defence of the Commission – the traditional protector of the smaller states.

Mr Bruce Millan, the British commissioner responsible for regional policy, said he was not surprised that member states were having difficulty in pinning down the issue of subsidiarity.

"I don't think it's a thing about which you can produce a nice neat formula – you've got to demonstrate it in practice," he said last night.

"If you approach it [subsidiarity] on the basis that what you are doing is important and you want the rest of the community to fall into line, then you will not respect the principle: that applies both to individual commissioners and to some of the member states," the commissioner added.

Mr Millan said he thought there was a growing groundswell of discontent in Brussels about the British presidency.

"I don't think there's any doubt that a lot of commissioners and a lot of member states have been unhappy about the reluctance of the presidency to move things forward, especially over Maastricht", Mr Millan said.

In his letter, Mr Major pledged to complete parliamentary ratification of Maastricht "before or immediately after Christmas" and he adopted a markedly positive tone toward Europe after his government's public ambivalence in the wake of the sterling crisis. He called for a political declaration at the EC summit on October 16 to remove popular misunderstandings about Maastricht.

A senior EC official said: "Britain has returned to the mainstream."

Mr Major has retreated from earlier demands for reform of the exchange rate mechanism. In his letter, however, he said it would not be "credible" to avoid all debate on the recent monetary crisis.

Spanish move to boost confidence

By Tom Burns in Madrid

THE BANK of Spain yesterday signalled its confidence in the peseta by partially lifting exchange controls that it introduced last month and by declining to raise interest rates.

The peseta rose from Pta70.5 (39p) to the D-Mark to Pta71.8 early yesterday before stabilising at Pta71.5, clear of its Pta72.6 floor in the Exchange Rate Mechanism (ERM).

The bank's decision to maintain its 13 per cent intervention rate at yesterday's auction of certificates of deposit, failed to rally the markets. By mid-morning the Madrid stock exchange had fallen 1.8 per cent to a new low for the year. Exchange controls will remain in place on one- to three-day swap operations with the peseta. Thus dealers selling pesetas "short" will have to deposit (interest-free with the Bank of Spain for up to a year), a sum equivalent to the day's transactions.

Some dealers believed that the measures were now more stringent than before for those operating on the peseta's "spot" market.

Restrictions were, however, lifted on all other currency operations. The bank also lowered the obligatory deposit, proportional to the amount of foreign currency held, that domestic institutions have to make with the Bank of Spain.

"Before, we were damaging those who were legitimately covering their currency investments and now we are simply focusing on the speculators," a spokesman for the bank said.

A bank circular said the controls, which had been introduced 12 days ago at a time of strong speculation on ERM currencies, were now being eased because "the foreign exchange environment has since evolved towards greater stability".

Ireland to help exporters hit by slide in the pound

THE Irish government is to announce support measures today for exporters who have been badly hit by sterling's continuing slide, but Mr Albert Reynolds, the prime minister, again ruled out devaluation, writes Tim Coone in Dublin.

Yesterday sterling fell to a new record low of £1.10 against the punt, which prompted Mr Terry Hobdell, the chairman of the Irish Small Firms Association (SFA), to say: "It is a serious crisis, not just for exporters but for manufacturers who face the problem of much cheaper imports from the UK."

He said the SFA was looking for a package of I£150m-200m "to underwrite exporters and those facing competition from the UK". The government said I£50m was to be made available, along with I£25m from EC structural funds.

Market fearful of EC's weak currencies

Political problems mean that there could be worse to come for sterling and the lira, writes James Blitz

THE NEW round of tension which hit the foreign exchange markets yesterday indicates that the fundamental pressures on weak European currencies remain intense.

Since September 14, there has been one general realignment of the ERM, three devaluations, a spate of interest rate rises throughout Europe and two meetings of EC finance ministers to try and restore order to the market. But investors are still encouraged to buy D-Marks by high German interest rates and uncertainty about the future of the Maastricht treaty on European union. The pound and lira fell sharply against the D-Mark yesterday. Meanwhile, the Bank of Spain intervened to support the peseta after it came close to its ERM floor against the D-Mark and the Dutch central bank was forced to intervene to support the Irish punt.

There were three factors triggering yesterday's crisis.

■ Investors fear that the differential between US and German short-term interest rates is threatening to widen. German short-term rates are 6.5 points higher than those in the US, offering dealers a far higher return if they invest in D-Marks. The flows between two of the world's main currencies also drive the rest of the foreign exchange market.

On Friday, investors' hopes of a cut in German rates were dashed as the Bundesbank left its Lombard rate unchanged.

However, investors believe there could be another cut in the US discount rate when the Federal Reserve's Federal Open Markets Committee meets today. The slowdown in the US economy was underlined by a poor set of US economic indicators last week, and the dollar fell yesterday to DM1.3890, close to its historic low of DM1.3860.

■ The market increasingly believes that there will be another realignment of the ERM, with the Spanish peseta, the Portuguese escudo, the Irish punt and the Danish krone moving downwards against the D-Mark.

Realignment rumours make it risky to hold the vulnerable currencies. Conversely, the risk-reward ratio in selling them is small. A dealer who sells a weak currency will make a profit, but there is little chance of making a loss because these currencies are unlikely to appreciate noticeably against the D-Mark.

The possibility of a realignment was raised by Mr Carlos Solchaga, Spain's economy minister, who said at the weekend that a cut in German interest rates accompanied by a general realignment could help to settle tensions.

The Irish are also under pressure to devalue. Sterling was yesterday trading at £1.10 to the Irish punt. The Irish have long taken the view that it is not in Ireland's interest for the punt to rise above £1.05 because 31 per cent of Ireland's exports go to the UK.

The French franc came under intense pressure yesterday, even though France's economic fundamentals could make it a candidate for revaluation against the D-Mark.

Investors believe the huge cost of defending the franc in recent weeks would make another speculative attack more difficult to resist. The Bundesbank is estimated to have spent around DM20bn (£8bn) in intervention to support the franc, while France's foreign currency reserves are thought to be close to exhaustion.

■ Investors are worried by the fundamental economic weakness of several European countries, above all Italy and the UK. In recent years, investment funds in the US and Europe bought the lira and sterling because they were increasingly tied to the D-Mark, by a growing commitment to the ERM and European Monetary Union. Their departure from the ERM has undermined that confidence.

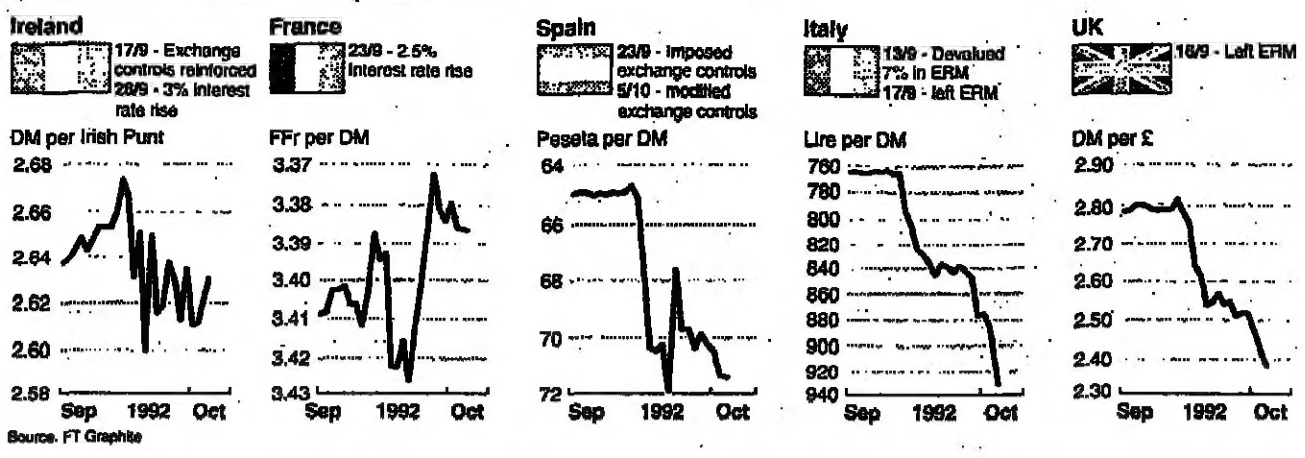
There are fears the Italian government will be unable to get its emergency budget package through parliament and that a general strike could be called.

In the UK, devaluation has left the government without a clear economic policy, while the UK prime minister may have difficulty getting a Maastricht ratification bill through parliament.

A worrying feature of the sell-off of the lira and sterling is that it is fundamental selling by investment institutions rather than short-term selling by the banks.

Mr Avinash Persaud, currency economist at UBS Phillips and Drew in London, said that US pension funds engaged in massive selling of sterling in the run-up to its devaluation on September 16. "We are now seeing a second wave of institutional selling by European funds who are going through a process of portfolio adjustment."

Currencies under pressure



Source: FT Graphite

NEWS: WORLD TRADE

End Gatt talks soon, says Hills

By Nancy Dunne in Washington

NEGOTIATORS in Gatt's Uruguay Round must move forward in their talks over services, market access and agriculture "in a parallel fashion", in a last-ditch effort to conclude this month the most complicated multilateral trade talks in history. Mrs Carla Hills, US trade representative, said yesterday.

The task must be essentially completed in October if lawyers, working out final details, are to get a finished text to the US Congress before a March 1 deadline, she added. It is at that point that the US executive branch would lose its "fast-track" negotiating mandate, which prevents Congress tacking amendments on to a finished deal.

Mrs Hills and Mr Edward Madigan, US agriculture secretary, meet EC trade and agriculture officials in Brussels next Saturday and Sunday in a final attempt to achieve a breakthrough in the farm talks and settle a menacing dispute over oilseeds.

Mrs Hills has repeatedly delayed retaliatory sanctions against the EC's oilseeds regime, although it has been twice found illegal by a Gatt dispute settlement panel. Retaliation, she said, would have "an injurious effect on US industry", but if no solution was found, she would have no choice but to act.

A solution on oilseeds would most likely have to precede an agreement on the round, but the settlement would also affect "how Europe looks at its agriculture programme", Mrs Hills said. "They have to deal with oilseeds. They know they do. They can fix oilseeds within the CAP [Common Agriculture Policy] reform."

One option was to cut subsidies to oilseeds producers. She hoped a breakthrough on agriculture would come when the French, second-biggest providers of services worldwide, realised the benefits they could gain, and took the necessary steps on agriculture.

Clinton under attack over new Nafta accords

By Nancy Dunne in Washington

MRS Carla Hills, US trade representative, yesterday criticised as "dead wrong" Governor Bill Clinton, the Democratic presidential candidate, who said, if elected, he would negotiate "supplemental agreements" with Canada and Mexico to the recently-concluded North American Free Trade Agreement.

Mr Clinton had said more needed to be done to protect the environment, workers and farmers and guard against unexpected import surges. He urged an Environmental Protection Commission headed by Senator Al Gore, his vice-president if elected, and a commission for worker standards and safety. The speech was so unclear she was not sure "where he comes out" because "words seem to be strewn around to attract every view."

There had been no "glaring omission" on worker adjustment aid, because Mr Bush had announced "a $10bn (£5.6bn) five-year programme for workers displaced by the pact. She denied Mexican truckers could drive in the US without meeting its safety standards, that foods with pesticide residues would be allowed into the US, or that environmental safeguards were insufficient.

Setback for Cuba in push for investors

By Canute James in Kingston

A CUBAN government effort to lure foreign investors has suffered a setback with Havana's decision to discontinue work on a nuclear power plant for which it was getting technical and financial help from the former Soviet Union.

Havana had repeatedly said the plant was able to provide adequate power for new industrial and commercial ventures on the island, ending the energy shortage which has crippled economic life.

Cuba's oil supplies have fallen sharply since the collapse of the Soviet Union, its main source of petroleum products. President Fidel Castro has said the decision to suspend work was temporary. Russia had been making unacceptable demands on Cuba for support in completing the plant.

The differences, say diplomats, centred on Russia's decision that its contribution should be on a commercial basis. The Cubans were uncertain about access to fuel for the plant. It is unlikely any other country will offer to complete the project.

With Cuba's domestic oil output at only 5 per cent of the 10m tonnes it needs each year, Havana will be pressed to convince prospective investors the island represents a viable business location without the power station. The plant, at Jurugua in Cienfuegos Province, has been frequently delayed by technical problems. It was based on four 417MW reactors, but was planned to start with two reactors two years ago.

The decision to suspend construction is likely to be greeted with relief by Cuba's Caribbean neighbours. Claims by defecting Cuban scientists that it was unsafe had forced several Caribbean governments to raise questions about the effect on the region of a nuclear accident in the wake of the disaster at a similar plant in Chernobyl. The Cubans denied their plant was faulty and invited foreign experts to examine it.

EC starts debate on trade weapons today

By Andrew Hill in Brussels

THE EC will today begin a painful and potentially divisive internal debate on the use of trade weapons, such as anti-dumping duties, quotas and safeguard clauses, in the single market.

Foreign and trade ministers meeting in Luxembourg will for the first time discuss controversial plans which would give the European Commission greater power to push through "commercial defence measures". Some Brussels lawyers believe the result could be the most significant trade policy revision since the anti-dumping rule was adopted in 1968.

The plan's aim is simple: to streamline how the Commission and European Court deal with trade complaints. But it has become linked to the wider question of how to lift quotas imposed on non-EC countries by individual member states. The network of quotas must be scrapped, or harmonised, if the single market is to work properly after January 1 1993.

The issue could set trade liberals such as Britain and Germany against their southern counterparts, such as Spain and Italy, worried that free circulation of goods after 1992 might disarm EC trade policy. "It's going to be a tough debate," one official said yesterday.

The Commission proposal follows a plea from the European Court of Justice, overloaded with trade complaints. The court wants such complaints handled by the lower Court of First Instance.

Brussels says such a move could add to time taken for imposing defensive trade measures. Its proposal would give the Commission more initiative by letting opponents block a Commission proposal only if they could muster a qualified majority against it. Now, duties can be blocked by a minority of countries.

"This isn't about increasing the Commission's powers, it's about overcoming deadlocks in the trade policy area," a Brussels official said. Today's discussion is unlikely to be conclusive, as member states are deadlocked over the proposal.

Brazilian export growth relieves the gloom

Industry, writes **Christina Lamb**, combats recession by concentrating on sales abroad

WHENEVER Brazilian officials are asked tough questions about the country's generally gloomy economic situation, they retaliate with trade figures. This year's morale-boosting export performance is one of the few things unaffected by the country's political crisis.

Despite recession in its main overseas markets, Brazil is expecting its exports to reach $36bn-38bn this year, or 10 per cent up on the last three years and second only to 1988. The surplus for the first eight months was $10.185bn, or 18.6 per cent ahead of last year, and a full-year total of $15bn is predicted. Last month's trade surplus of $1.41bn was 116.87 per cent up on 1991.

"There are two simple reasons for this," says Mr Pedro Motta Veiga, director of the Foreign Trade Foundation (FUNCEX), "and those are recession at home and a stable real exchange rate for the first time since 1988".

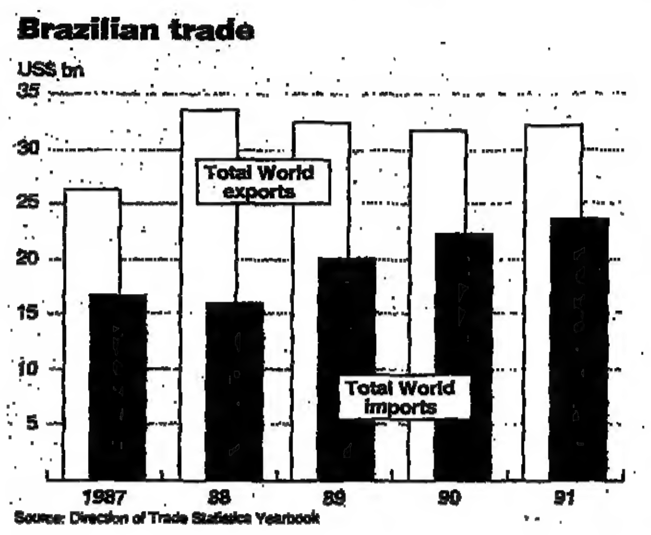
Although part of this year's export performance is due to a bumper harvest, the main push is coming from industry. Sixty per cent of Brazilian exports are manufactured goods, and, as companies struggle to survive a third year of recession and stagnant domestic sales, they are focusing increasingly overseas.

Several industries such as textiles, capital goods and white goods are being sustained by foreign sales. The textile industry, which is operating with 30 per cent idle capacity, expects exports to reach a record $1.6bn, or a third up on last year.

The best example of the export drive is the auto industry, which has seen exports January-to-July up 56.9 per cent on last year. Anfavea, the vehicle manufacturer's association, predicts a record 300,000 overseas sales this year.

The domestic recession means that imports have been falling, belying manufacturers' fears that the tariff reduction programme begun in 1990 would destroy the long-protected Brazilian industry. Imports still represent only around 6 per cent of gross domestic product (GDP) and this year are 2.79 per cent down and decreasing: in August, they fell 24.43 per cent.

However, this has not stopped industrialists protesting against the next round of tariff reductions due on October 1, which will bring down the average from 21 per cent to 17 per cen, still the highest in Latin America.



Source: Direction of Trade Statistics Yearbook

The government insists that the timetable will be kept, pointing out that Brazil is committed to meet targets laid down in the Mercosul arrangement to establish a free trade zone by 1995 with neighbouring Argentina, Paraguay and Uruguay.

Much of the increase in Brazilian exports is due to sales to Argentina, which now buys 8.13 per cent, second only to the US, which absorbs almost a fifth. While sales to the European Community, the largest bloc purchaser, and the US remained stable for the first half and those to Asia dropped, exports to Argentina increased 142 per cent.

Brazil has gone from years of a small deficit with Argentina to a surplus as a result of the fewer regulations and lower tariffs of Mercosul (its products receive a 61 per cent preferential import duty reduction) and the overvalued peso.

The avalanche of Brazilian products taking advantage of the cruzeiro's weakness against the peso is causing deep worry among Argentine industrialists and provoking cries of dumping. Brazilian industry is generally better equipped and structured than in Argentina and thus more likely to benefit from Mercosul. However, both sides are eager to ease tension, and Brazil is considering buying more wheat and oil from Argentina to improve the balance.

Despite its belief that exports are essential for economic recovery, the government is providing little in the way of incentives and has no high-level co-ordinating body for trade.

Mr Motta Veiga says the lack of a government export policy is "unjustifiable" and argues that "every 10 per cent increase in exports is 1 per cent of GDP, which makes a huge difference in a country like this. It is the difference between recession or not and millions of jobs."

Ruling lets Japanese import cheaper foreign rice

JAPAN'S Food Agency yesterday cleared the way for imports of *sushi* prepared overseas, letting Japanese restaurateurs take advantage of cheap foreign rice prices, even though imports of rice alone are banned, AP reports from Tokyo. The popular food (fish atop balls of vinegar-flavoured boiled rice) will be classified as a processed fish product if the fish makes up over 20 per cent of the total weight of one piece of *sushi*, the agency said.

The decision came after the Finance Ministry classified *sushi* as a processed fish product and decided to impose 10-20 per cent tariffs, depending on the kind of topping. At issue was whether a piece of *sushi* is one unit, or separate fish and rice components. Japan's food law bans almost all rice imports, to keep its self-sufficiency in its staple food.

Seeking a ruling, Sushi Boy, a 44-restaurant chain based in Osaka, had imported 1,000 frozen pieces of *sushi* as samples. Proposals at Gatt's Uruguay Round would require Japan to lift its rice ban. Japan has rejected the idea.

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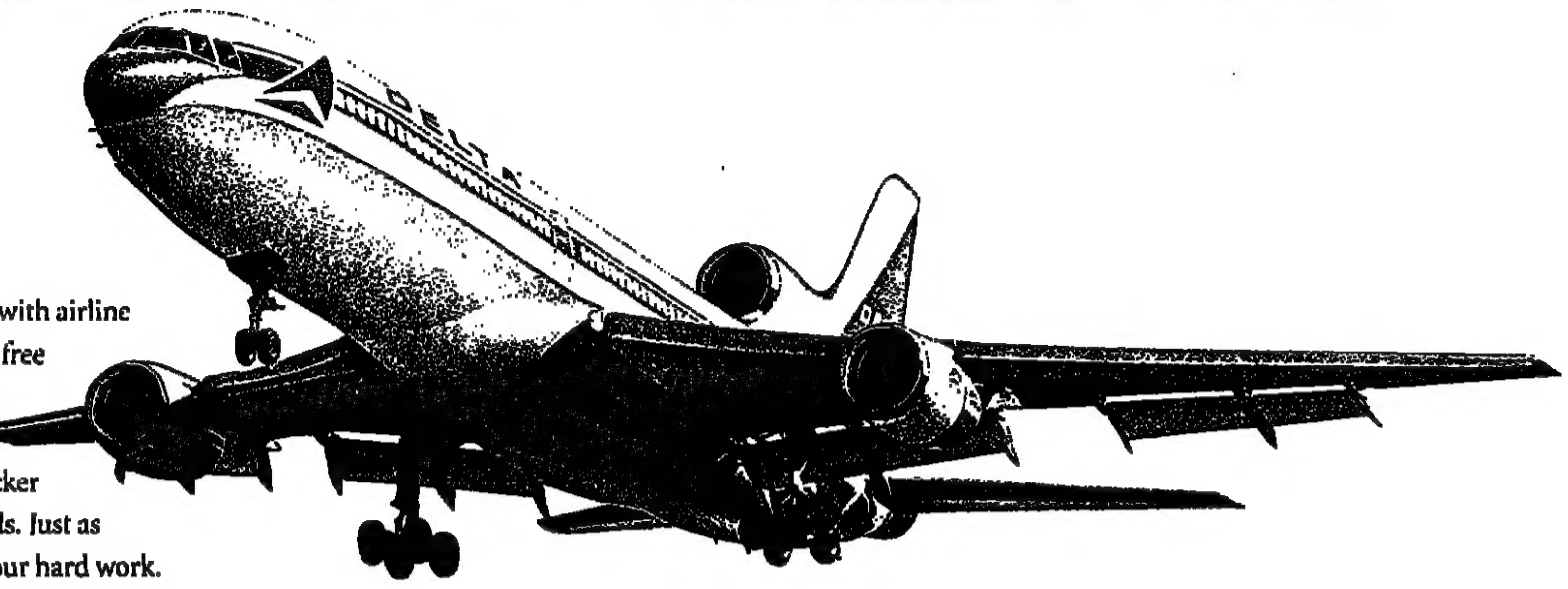

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Investment in Japan set to fall sharply

By Charles Leadbeater in Tokyo

INVESTMENT in Japan will be *cut severely over the next year* and a half according to a wide-ranging survey published by the Industrial Bank of Japan which warns that this year's slide in corporate investment will gather momentum in 1993.

The IBJ forecasts that corporate investment for this fiscal year, which ends next March, will fall by 2.5 per cent from last year. But the decline will accelerate in 1993 with a 5.4 per cent drop.

The severity of the downturn is highlighted by unprecedented cuts in investment by non-manufacturing companies, excluding the electricity utilities. Non-manufacturers expect to reduce investment by 1 per cent this year and by 5.3 per cent next year.

The cuts will be deeper in manufacturing, with an 11.8 per cent reduction this year followed by a 12.9 per cent fall in 1993, with some industries such as chemicals, paper and pulp and electric machinery making cuts of more than 20 per cent this year. Investment in the car industry is forecast to fall by 10.5 per cent this year and 7 per cent next year.

The bank said the results of the August survey of investment intentions among 3,536 of its corporate customers were the most pessimistic results for August since the survey began in 1969.

Mr Noboru Hatakeyama, the vice minister for international affairs at the Ministry of International Trade and Industry, underlined the intractability of the downturn by warning that it could take manufacturers some time to reduce their unsold *inventories to acceptable levels.*

The IBJ warned that high *investment* in the late 1980s, when manufacturing investment increased by more than 20 per cent a year for three years, has left several sectors with chronic overcapacity. As a result it would be difficult for any industry, including cars and electronics, construction and retailing, to act as the engine of an investment led recovery, the bank warned.

Further falls in profits would worsen the investment outlook for 1993, the bank warned.

The decline in investment, combined with the sluggish stock market and lower bank lending, is encouraging a significant shift in how companies finance their investment.

The share of investment funded from companies' own resources is forecast to rise from 54.7 per cent last year to 65 per cent next year, *while* borrowing will fall by 1 percentage point to 17.4 per cent and issues of new equity will fall to 0.4 per cent.

● The decline in the Japanese economy is taking a heavy toll on imports of foreign cars, which fell by about 9 per cent in August compared with last year, according to figures published yesterday by the Japan Automobile Importers' Association.

Sales of US cars rose marginally to 2,866, thanks mainly to a surge in imports of Honda *cars from its US plants,* while European imports fell from 7,839 in last August to 6,988 this year. Sales of Audis and Volkswagens are *still* rising, while sales of BMW and Mercedes Benz cars are falling.

Conditions spelled out on overseas aid policy

By Charles Leadbeater

THE Japanese government yesterday set out a specific code which will guide its huge overseas development aid programme, *linking aid to a country's* record in promoting democracy, human rights and market economics.

The Foreign Ministry report on development aid policy is the furthest the government has gone in detailing its revised policy. In the past aid was not tied to overt political conditions.

Last year the ministry issued guidelines for aid policy partly in response to criticisms from overseas that Japanese policy priorities were not clear. The new code follows a similar *switch in aid policy*, led by Britain and the US

The report said Japan would not continue to give aid to countries where there was excessive military spending.

Japan's net assistance to *developing countries rose by 31* per cent last year to a record $25bn (£14bn), mainly because of a sharp rise in aid to south east Asian countries.

The Ministry of Finance said the aid amounted to about 0.73 per cent of Japanese gross national product. Official development assistance rose by 19.6 per cent to $11bn, while flows of private funds to developing countries grew by 77.9 per cent to $11.1bn, mainly because of a rise in export credits linked to a rise in Japanese direct investment in the *region.*

Pro-Mobutu soldiers ring Zaire parliament

TROOPS and paramilitary police surrounded Zaire's parliament building with tanks and armoured cars yesterday stepping up their defiance of *reformist Prime Minister* Etienne Tshisekedi, Reuter reports from Kinshasa.

The soldiers and gendarmes, under the command of President Mobutu Sese Seko, were apparently sent to protect a *rebel session of Zaire's* national assembly, which was dissolved six weeks ago by a pro-democracy conference.

Witnesses said troops also surrounded the Finance Ministry and kept up their guard at Zaire's central bank, where they took up positions at the weekend to support its sacked governor.

Defiant members of the pro-Mobutu parliament had scheduled a meeting for yesterday afternoon to draw up a definitive new constitution – a task the conference is supposed to perform.

Conference proposals to change Zaire's name, flag and currency have enraged Mr Mobutu, who has ruled the huge central African state with an iron hand for 27 years.

He has refused to approve a transitional charter replacing the previous constitution. The conference was forced to shelve the changes, which symbolise rejection of Mr Mobutu's rule, but they have not *been scrapped outright.*

Troops patrolled streets near the parliament building in Kinshasa's up-market Gombe district, ready to *stop possible* protests against the meeting.

The latest military challenge *to Mr Tshisekedi started after* the prime minister sacked the central bank governor, Mr Nyemba Shabani, on Thursday, accusing him of fuelling rampant inflation by flooding the black market with newly-printed banknotes. Soldiers surrounded the bank to guarantee continued access for Mr Nyemba, part of Mobutu's old-guard leadership.

Institutions in dock beside Bubble Lady

Robert Thomson on a high-flying Japanese restaurateur who is now facing fraud and forgery charges

WHEN the "Bubble Lady", Ms Nui Onoue, shuffled ashen-faced into the Osaka district court yesterday, she hardly fitted the pre-trial publicity about the mysterious, charismatic restaurateur who enticed bankers and brokers to *fund Y890bn* (£4.2bn) in stock investments.

But the unfolding evidence, spiced by tales of stock certificates delivered in shopping bags and of a leading broker stationing a senior employee at her restaurant, painted her as a remarkable woman who thrived during a remarkable period – Japan's era of financial and speculative excess.

Ms Onoue, 62, is on trial for fraud and forgery for having used as collateral Y342bn in faked deposit certificates from Toyo Shinkin Bank, which, coincidentally, was dissolved last week after having failed to recover from the relationship with the lady with the financial bubble. She admits fraud but not forgery.

It may be Ms Onoue *facing* the charges but it is Japan's leading financial institutions which are in the dock. Yesterday was the turn of Mr Shige*fumi Hayata, manager of Yam*aichi Securities corporate fund sales department in Osaka when the country's leading individual stock investor was in full flight, receiving regular investment tips from otherworldly advisers at seances.

Mr Hayata told how he became broker-in-residence at one of her two restaurants, per*sonally dealing with the huge* buy orders and checking, in advance, whether there were sufficient shares available to satisfy her interest in a chosen company.

At various times, she was the largest individual shareholder in two Japanese banks and held significant stakes in a range of blue chips, including Nippon Telegraph and Telephone (NTT) and the Industrial Bank of Japan (IBJ).

"Madam was so charismatic, I didn't think anything could go wrong," Mr Hayata said. He was glad to be doing business with her as, at one stage early last year, her still furious purchasing accounted for 90 per cent of his department's stock commission revenue.

By that time, Tokyo stock prices were plunging to new lows and the desperate Ms Onoue began pulling collateral out of one bank to raise funds *at another. Mr Hayata, sitting* in the same room, overheard some of the conversations and was aware of dealings with "about 20 banks" including IBJ, Fuji Bank and a financial company linked to the Matsushita Electric group.

The defence is attempting to prove that Ms Onoue was as much a victim of Japan's *financial system as she was* guilty of fraud. So Mr Hayata was given a tough grilling, and in future months executives at IBJ and other institutions can look forward to the same scrutiny of their own activities during the period from 1987 until last year.

The case, which began with preliminary hearings in January, is only now gathering momentum, but, with the Japanese wheels of justice slow to turn, it will take two to three years before judgment is delivered. At present, the court – also hearing charges against two managers of related financial institutions – is sitting for about four hours a month.

Mr Hayata agreed that he knew mortgage certificates and other collateral was being shifted from "bank A to bank B", though he said he was unsure whether the original collateral was being replaced. The bubble lady, fearing that she was close to exposure, had told bank A that the documents were needed by her accountant and the bank apparently believed her.

"I knew madam was losing money on the stock investment but my impression was that *she had a huge amount of* assets and could afford the losses," Mr Hayata said. "If I tried to stop her from moving the collateral, madam would have become very angry with me."

During the hearing yesterday, Ms Onoue sat slumped forward in her seat, occasionally nodding off during discussion of legal technicalities and sometimes wiping her eyes with tissues. She is free on a Y700m bond and in spite of her formal bankruptcy in June still had a car waiting for her outside the courtroom.

Mr Hayata was asked whether his presence in her restaurant and the appearance of a very close relationship between Yamaichi and the bubble lady gave other financial institutions the impression that Ms Onoue was deserving of both trust and funds.

"I don't think there was any influence from Yamaichi's role. I don't think it gave madam any extra prestige," he said.


In happier times: Nui Onoue in her Osaka restaurant

Gentle protests at Kuwait election

By Mark Nicholson in Kuwait City

KUWAIT'S first general election since 1985 looked set to draw a turnout of well over 80 per cent yesterday as voters thronged to polling stations in a carnival-like atmosphere marked only by two small and gentle demonstrations by Kuwait's new suffragettes.

A heavy police presence, including helicopter patrols, proved unduly cautious as hundreds of Kuwait men lined up outside school halls to cast their votes for the 50-seat National Assembly which will convene at the end of this month.

The sole demonstrations, led by *two* groups of women, each no more than 100-strong, were a largely impromptu affair organised by a small coterie of liberal and well-heeled Kuwaiti women seeking to press further their campaign to win the vote by the next elections in 1996.

Sheikh Ahmed Hamoud al-Sabah, the interior minister, commented: "They were very nice protests, actually."

Full results should be known by noon today and Sheikh Saad al-Sabah, the crown prince and prime minister, will tomorrow accept the formal resignation of the present cabinet. Under the 1962 constitution, he must name a new cabinet – which has been seen as an interim body *since its appointment in* April 1991 – within two weeks of yesterday's poll.

Sheikh Hamoud al-Sabah, who was touring the polling stations, said in an interview: "There will be changes in the cabinet. Under the constitution there must be at least one member from the new National Assembly."

Opposition groups hope the prime minister will include more assembly members in the next 16-member cabinet than hitherto and will be watching the prime minister's appointments as the next true test of the government's democratic resolve.

"The 15 days after the election will be more important than the 15 days before," said Mr Hamad al Jouan, an independent *candidate* and *one of the government's* most active critics in the last parliament.


Brunei's sultan greets the crowds gathered to witness the royal procession – part of his 25th anniversary celebrations

Sultan marks 25 years of wonderful wealth

By Kieran Cooke in Bandar Seri Bagawan, Brunei

THE Sultan of Brunei does not like being called the world's richest individual. But with a *fortune estimated at* $37bn (£20.7bn), it is hard to deny being among the wonderfully wealthy.

His Majesty Paduka Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, Sultan and Yang Di-Pertuan of Brunei Darussalam, is celebrating 25 years as absolute *monarch of this small* but financially well endowed state on the west coast of the island of Borneo.

Yesterday was the main event to mark the anniversary of the sultan's "ascension" to *the throne. The sultan also* serves as prime minister and defence minister. Government is very much a family affair. One brother is minister of foreign affairs, another is finance minister.

Lavish is one word to describe the Sultan of Brunei's palace. Large is another. A banqueting hall where 6,000 sat down to an anniversary meal yesterday. A palace with 257 lavatories and a total of nearly *1,800 rooms.*

Several sultans, princes and princesses, Asian heads of state and other dignitaries watched the sultan ascend his throne. Tiaras were *de rigueur*. Diamonds dazzled.

There have been no elections in Brunei for more than 30 years. A state of emergency has been in force ever since British troops were brought in to put down an uprising in 1962. Brunei only became fully *independent in 1984.*

The sultan, still only in his mid-40s, made a royal anniversary statement. The present system of monarchical government had served Brunei well. There would be no change. That means no elections and no political parties. Islam would continue to be emphasised. The sultan would donate $1m of his own money to help the Moslems in Bosnia.

One of the sultan's many Rolls Royces purred outside. The monarch was taken a short distance and then off-loaded onto the royal chariot, a rather unwieldly vehicle the length of a cricket pitch pulled and pushed by a small army of courtiers.

The sultan is an ex-Sandhurst man. The guards slow-stepped in perfect formation. The band played Malay music. It played "Colonel Bogey".

Cash from oil and gas has transformed Brunei. With a population of only 250,000 the country has one of the highest per capita incomes in the world.

Fei Pang seeks to win hearts in Hong Kong

But legislators suspect 'President Patten', reports **Simon Holberton**

WHEN tickets for the two public meetings that Mr Chris Patten will hold this Thursday and Friday went on sale last week, *all 2,700 seats were snapped up* in 30 minutes: Britain's 28th and presumably last governor of Hong Kong is riding an unprecedented wave of popularity.


Chris Patten: blueprint for next five years

This is Mr Patten's week and tomorrow his day. At 2.30pm he rises as president of Hong Kong's Legislative Council to outline his plans. Unlike previous governors, who presented their administration's policies for the year ahead, Mr Patten will lay bare his blueprint for the last five years of British colonial rule.

His address is expected to cover changes to the structure of government, his thoughts on the conduct of Hong Kong's 1995 elections (which he will then have to negotiate with China), and his spending prior*ities in areas such as educa*tion, health and the environment.

The latter will be presented under the rubric of "sound finance" and the continuation of low taxation. But, with his officials projecting an accumulated budget surplus of more than HK$70bn (£5.25bn) by the end of British rule in June 1997, there is plenty of money for an ambitious politician and the "kinder, gentler 1990s".

The speech will define his agenda but it will also be the document to which reference will be made for the next five years. As one official observed: "He's made a political decision, and he's the one who is going to have to live with it, and get on with it."

Television advertisements showing Mr Patten kissing babies, helping old ladies across streets and generally meeting an adoring public *have been running for the past* week. Hong Kong has been witnessing a political campaign the like of which it has not seen in the past 150 years of British rule, and it is just the beginning.

In the wake of tomorrow's address, Mr Patten has an appointment with talk-back radio, and will face a television studio audience of political commentators and invited guests and appear in the legislature to take questions from members.

Mindful that he is also a political figure in Britain, BBC television and radio slots have also been booked. In between, Mr Patten will telephone Lord Howe – British foreign secretary during the Anglo-Chinese negotiations which led to the *1984* Joint Declaration on the colony's future – and Lord Wilson, his immediate predecessor in Hong Kong, to inform them of his plans.

His calculated attempt to go directly to the people has won short-term favour with the locals, who seem genuinely to like the man they have dubbed Fei Pang (Fat Patten). But it has put legislators off-side.

They see him as "President Patten", trying to marginalise law-makers, especially demo*cratically elected ones. When* that worry is added to some of his rumoured plans for change, such as splitting the executive branch of government from the legislature, then the concerns transcend mere pique.

"Mr Patten may be a decent man and capable of running a presidential style of leadership openly, but what happens in 1997 if Beijing does not appoint a Chinese equivalent of him?" asks one Hong Kong liberal politician. "All power will reside in the executive branch of government."

Quite how China views Mr Patten's dash for popularity is unknown but, because the Chinese always favour playing a long game, there is a sense in Beijing's silence of "give him enough rope and he will hang himself".

What is known is that Beijing sees itself as the representative of the people of Hong Kong, whom it refers to as "compatriots". The sight, therefore, of the last British colonial governor presenting himself as the representative of the Chinese in the colony is bound to rankle.

How Mr Patten plans to deal with China is indicated by the words he uses. "Openness", "frank", "trust" and "direct" are his stock words when talking about the sort of relationship he wants with Beijing. Towards the end of this month he goes to the Chinese capital for his first meeting with the Chinese leaders.

A calculated risk was taken two weeks ago when Mr Douglas Hurd, the British foreign secretary, briefed Qian Qichen, his Chinese counterpart, in New York on Mr Patten's plans for Hong Kong's constitutional development. So far, the pro-Beijing press in the colony has *not been used to ventilate* and criticise those proposals, a fact Mr Patten's advisers have found encouraging.

But, as Mr Patten knows, tomorrow afternoon's address to the Legislative Council is just the beginning of a process. On Thursday morning he may well find that both local legis*lators* and Beijing oppose his plans. And that is when Fei Pang will have to start running.

Maputo seeks polls aid

MOZAMBIQUE has asked foreign countries to pay most of the $80m (£44.9m) it needs to pay *for elections next year,* western diplomats said yesterday, Reuter reports from Maputo.

The government, which signed a peace agreement with right-wing rebels on Sunday, gave the figure to the foreign diplomatic corps in Maputo last week at a meeting chaired by the co-operation minister, Mr Jacinto Veloso.

The government told the diplomats it could cover only 5 per cent of the estimated cost and was relying on foreign donors to provide the balance.

Among the most expensive items are road works – thousands of miles were made *unusable during* the civil war – election materials, vehicles and the salaries of election staff, the diplomats said.

About 15 parties are expected to contest the elections.

To overcome transport difficulties the authorities will need a large number of four-wheel drive vehicles, trucks, helicopters, *light* aircraft and boats, it said.

France welcomed the peace agreement yesterday and said it was ready to help Mozambique "emerge from its difficulties".

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Attention: Refinancing Proposals

Insults fly as US election candidates prepare to debate

Unreal air pervades campaign

A SURREAL mood has descended on the US presidential election campaign, a week before the three candidates meet in debate and a month before the country votes, writes Jurek Martin in Washington.

Perhaps the oddest intervention came from President George Bush on Sunday night when he claimed in a television interview that Governor Bill Clinton, the Democratic candidate, had actively supported the administration's policies of offering agricultural and other credits to President Saddam Hussein of Iraq.

This was obviously intended to deflect growing criticism of Mr Bush's role in courting the Iraqi dictator. It drew a blistering response from Mr Clinton, who said that to ascribe any significance to a five-minute courtesy call in 1986 with the then-Iraqi ambassador to the United Nations showed how "desperate and pathetic" the president had become.

Stranger still was a Newsweek magazine report yesterday that several pages of Mr Clinton's passport records, held at the State Department, had apparently gone missing. The Federal Bureau of Investigation was said to be making inquiries.

In the unfathomable category comes the new Ross Perot campaign. The Texas billionaire, like Mr Bush and Mr Clinton, is now almost permanently on the talk show programmes and was due last night to air the first of his paid-for half-hour expositions on national television.

Yesterday morning Mr Perot came close to accusing the Republican party of character assassination. However, he denied he would come out in support of Mr Clinton. He spent most of an interview accusing the media of being part of the establishment plot to discredit his candidacy and personality.

Mr Bush's Sunday night performance on Larry King Live – on this occasion not live but taped in advance at the White House – was not one of his best. He seemed not to know what his party platform said on the subject of abortion and, repeatedly pressed on the state of the economy, merely responded that "things have been tough, but they haven't been that tough".

For the first time Mr Bush said Mr Clinton's failure to serve in the military was a disqualification from serving as president. His election, the president said, would mean replacing the US eagle in the White House with "a chameleon".

The latest polls, meanwhile, suggest that Mr Perot's re-entry has not destabilised the race. Newsweek's split is 44-36-14 while USA Today/CNN's is 47-35-10 respectively for Mr Clinton, Mr Bush and Mr Perot. Mr Clinton is also given healthy leads in the critical mid-western states of Illinois, Michigan and Ohio.

See Feature

Sign of the times: Democratic presidential candidate Bill Clinton jogs past a sign pointing to Pennsylvania Avenue, where the White House is situated

US legislators rush for home

MEMBERS of Congress have rarely been so eager to leave Washington and return to their districts. But incumbent US legislators have also rarely been so vulnerable to challenge. With both the Senate and the House of Representatives now ready to recess, the congressmen are rushing home to devote themselves to getting re-elected.

The congressional ranks have already been strikingly reduced by a string of voluntary and involuntary departures. These include such familiar faces as Senator Warren Rudman, co-author of the Gramm-Rudman legislation that tried vainly to keep the budget deficit in check in the 1980s, and Representative Dante Fascell, chairman of the House foreign affairs committee. Next year's new Congress will see an unprecedented number of new faces taking up residence on Capitol Hill.

Turnover always seemed likely to be high with the passing of an elderly generation of lawmakers and with the 10-yearly redrawing of district boundaries to take account of new census data.

Redistricting alone has been projected by some to cost the Democratic party up to as many as 40 seats from their 266-seat majority in the House. Besides faster population growth in Republican party areas, and the likely undoing of some of the more egregious gerrymanders of 1982, new court interpretations of the Voting Rights Act compelled the creation of more districts with predominant populations of ethic minorities.

This has resulted in the

Re-election for many, says George Graham, is growing more elusive

drawing of some overwhelmingly Democratic districts, but left the Republicans stronger in many others by siphoning off black voters, who remain, for the most part, strongly Democratic.

Taking a heavier toll, however, has been a growing feeling of disillusionment among the people at large.

Within Congress, this has been translated into the retirement of some young and promising members. Outside, it has fed an anti-incumbent wave that has brought the downfall in party primaries of established politicians like Sen Alan Dixon of Illinois or Rep Beverly Byron of Maryland. The November 3 general election could sweep out many more. The worst mark against incumbent members, in many parts of the country, has been the House bank scandal.

Members who abused the lax overdraft privileges at the House's private bank have faced fierce political attacks from their opponents, and even a handful of overdrawn cheques has been enough to bring some members to defeat.

The plight of the incumbent was epitomised by Rep Stephen Solarz of New York, for years one of the most important foreign policy voices in the House. Forced by redistricting into a Hispanic majority district, Mr Solarz struggled bravely to learn Spanish. Foreign policy expertise, however, does not provide the same kind of armour as old-fashioned constituent service: his impressive total of overdrawn cheques put paid to his hopes, and he was duly defeated in a primary ballot last month.

President George Bush has tried to capitalise on anti-Congress sentiment by urging voters that the best way of breaking the "gridlock" in Washington between his Republican administration and the Democratic-controlled legislature is to elect a Republican majority.

Events have not, however, turned out all the Republicans' way. They, too, have lost incumbents in the wake of the House scandal, including Rep Vin Weber, an intellectual leader of the younger right wing of his party. Many Republicans, too, have simply given up the weary struggle of being an apparently permanent minority.

Perhaps most significantly, the Republicans' chances of reducing the Democrats' majority in the Senate, which two years ago seemed at least fair, have evaporated.

Unlike in the House, where members must stand for re-election every two years, only a third of the 100 Senate seats are up for grabs each election year (although the number has risen to 36 this time because of special elections to fill the remaining terms of senators who have died or resigned.)

Nevertheless, at least four Senate seats currently held by Republicans are, on the latest polling data, tipping the Democrats' way, and two more look vulnerable. Only two seats held by the Democrats show the same vulnerability. All told, the Democrats are now generally expected at worst to hold their 57-to-43 Senate majority.

In the House, where the Democrats' 266 seats loom over the Republicans' 166, Rep Vic Fazio, chairman of the Democratic congressional campaign committee, says he expects a loss of between 20 and 35 seats, which would certainly not be enough to threaten the Democratic majority.

On the other hand, there is little prospect of the Democrats winning a two-thirds majority in either house, the amount that would enable them on their own to override presidential legislative vetoes.

If there is to be a change to break Washington's partisan gridlock, it seems much more likely to come in the White House. Yet, with deaths, retirements and primary defeats, the House is assured of seeing at least 130 new members, and the Senate nine.

With this turnover, the new Congress could be ready for radical institutional change and a fresh approach to working with the administration.

Markets remain wary of Brazil's economics team

By Christina Lamb in Rio de Janeiro

BRAZIL'S new government began work yesterday, faced with the task of dispelling the financial markets' doubts over the calibre of its economics team and policy direction.

Of the six ministers sworn in yesterday only one – Mr Fernando Henrique Cardoso, the new foreign minister – is a name of any standing. The holder of the important finance and economy portfolio, Mr Gustavo Krause, is a little-known congressman from the north-eastern state of Pernambuco.

Friday's market reaction was hardly a boost for the country's sixth economy minister in as many years. The main São Paulo index dropped 8 per cent on his nomination and yesterday closed a further 7.5 per cent down.

In an attempt to calm the markets Mr Krause, who is a lawyer and tax specialist, and Mr Paulo Haddad, the new planning minister, are taking every opportunity to pledge support for the orthodox stabilisation programme of Mr Marcilio Marques Moreira, the former economy minister.

Nerves steadied a little with the team's pledge to maintain international commitments, such as the recently negotiated termsheet with creditor banks on \$44bn (£24.7bn) of commercial debt. Relief also greeted the news that Mr Francisco Gros, the respected central bank governor, has agreed to stay on, though not indefinitely.

But the hastily written profiles of Mr Krause being transmitted frantically on fax machines around Brazil and international markets are doing little to abate fears that President Itamar Franco may be throwing away the opportunity offered by the enthusiastic reaction to last week's vote to impeach ex-President Fernando Collor.

One foreign banker commented: "Brazil is a specialist in lost chances."

While other Latin American economies have internationally known and widely published economists at their helm, the best-known written work by Mr Krause, a former mayor of the north-eastern town of Recife, is his "Ten Commandments of Bohemianism" which hangs in bars all over the city and advocates liquid refreshment. He is a superstitious man and practitioner of Umbanda, a form of magic derived from African religions.

Apparently untroubled by the negative reaction to his appointment as head of the world's ninth largest economy, Mr Krause appeared on breakfast television yesterday to reiterate there would be no shock plans. Tight monetary policy would be maintained and big new government projects prohibited.

To reduce inflation from current levels of 25 per cent a month, he will focus on dialogue to achieve pre-fixing of prices and salaries.

> 'A pact is fundamental – it's impossible to administer this economy unilaterally,' **Gustavo Krause**

Mr Krause said yesterday "a pact is fundamental – it's impossible to administer this economy unilaterally." He hopes to recoup some of the 25 per cent real fall in tax receipts of the last two years by offering sector-wide tax cuts in return for reduced evasion – an experiment carried out successfully when he was finance secretary of the Pernambuco state government.

A priority for Mr Krause is fiscal reform. He plans a two-step adjustment, with emergency legislation to come into effect next year and a more complete reform to be discussed with next September's planned constitutional revision.

The real test for the new team will come with their stance on structural reforms such as trade liberalisation and, in particular, privatisation, which several members of the new cabinet and Mr Franco have spoken out against in the past.

Mr Krause speaks vaguely of "perfecting the privatisation process". Auctions already set will be maintained but, in future, sales of companies from "strategic sectors" will require congressional approval and there may be changes in purchasing rules.

Brasília pledges full support for debt deal

By Stephen Fidler, Latin America Editor

THE NEW Brazilian administration of Mr Itamar Franco has expressed its full support for a \$44bn (£24.7bn) debt agreement with commercial banks finalised last month, according to a senior commercial banker.

Mr William Rhodes, vice-chairman of Citicorp, told a Financial Times conference that he had spoken yesterday to the new Brazilian finance minister, Mr Gustavo Krause, who assured him the new administration would "proceed rapidly" to present the agreement to the Brazilian Senate as soon as a translation into Portuguese was completed.

The agreement should be forwarded to Brazil's commercial bank creditors within the next four weeks, he said.

Mr Rhodes told the conference on Latin American Capital Markets he was also informed the new government planned to continue a privatisation programme, although no details were yet available.

He said he was optimistic the new government would command enough support in Congress to push through the necessary fiscal reform, needed under a standby loan agreement with the International Monetary Fund. He said this would expedite the commercial bank debt agreement and would allow a final exchange of instruments to take place no later than the end of the second quarter of next year.

He said \$7bn of bonds covering interest arrears in 1989 and 1990 should be issued by Brazil sometime in November.

In a generally positive conference on the outlook for Latin America, he and other speakers told of how the challenge to Latin governments has shifted in the 1990s from the debt-dominated difficulties of the 1980s. Mr Shahid Husain, vice-president for Latin America and the Caribbean at the World Bank, said: "The problem in most Latin American countries now is not the scarcity of capital. It is how best to channel capital into productive uses."

Although much has been done in adjusting economic and trade policies, some of the bigger tasks of building institutions and changing habits lay ahead. There was "a pressing need for investment in education, health, urban development and the environment"; large investments in infrastructure; and a further strengthening of fiscal systems, in particular a reform of social security systems.

He said he was concerned that growing protectionism in industrial countries could have serious effects on new regional trading arrangements within Latin America. "If regional arrangements are not to degenerate into new protective walls, industrial countries will have to reduce and ultimately demolish the protective walls against Latin American products."

He also advised governments not to get involved in the new flows of finance now being directed into Latin America – estimated last year at \$40bn – and they should not assume any significant part of the risk. "These flows are economic and sustainable only if they are based on the sharing of risks between private borrowers and the private lenders and investors."

FT LATIN AMERICAN CAPITAL MARKETS

Mr James Conrow, executive vice-president of the Inter-American Development Bank, expressed a concern that "the period of explosive growth and extraordinary returns" on international investment in Latin America was now largely in the past. Such risk re-ratings tend to be one-time phenomena. With growing competition for international capital, investors would scrutinise even more carefully returns from Latin America.

He said there were also worries about a lack of diversity among investors. A great majority of investors were individuals – holders of a pool of so-called flight capital estimated by the IADB to be about \$190bn – rather than investment institutions. There was a need now to attract institutional investors, who were being discouraged by the memory of losses during the 1980s and by equity and bond markets that were still very thin.

A high percentage of market capitalisation was concentrated in a few shares on most Latin exchanges. A great majority of shares was still closely held among a small number of investors, with little information available to outsiders. A related problem was the scarcity of capital in the region committed to market-making.

"The existence of powerful economic groups which trade on insider information, frequently with little regard for minority shareholders, does not engender confidence," he said.

William Rhodes: optimistic about fiscal reform

Supreme Court to rule on Haiti refugee policy

THE US Supreme Court yesterday agreed to pass judgment on the legality of the administration's policy of intercepting would-be Haitian refugees on the high seas and returning them home, writes Jurek Martin.

A ruling will probably not be handed down before next year. Until then the court's temporary nullification, issued in August, of an Appeal Court decision overturning the policy will stand.

The Bush administration's contention is that its facilities at the naval base in Guantanamo, Cuba, were being swamped by the tide of Haitian boat people and defended its programme, saying it was trying to protect the lives of Haitians who were attempting to make the journey in overloaded, unseaworthy boats.

The administration also said the Haitians were trying to enter the US to escape poverty, not political persecution. Only applications for asylum and refugee status lodged at the US consulate at Port-au-Prince are being processed.

In briefs filed with the Supreme Court yesterday, government lawyers contended that the Appeal Court ruling "intruded into a delicate area of foreign policy". Attorneys for the Haitian refugees argued that the policy contravened both US and international law and rendered the US Coast Guard "agents of a murderous dictatorship in Haiti".

● The Supreme Court yesterday rejected a claim that US reparations to Japanese-Americans interned during the second world war unconstitutionally denied payment to others because of their race, AP adds.

The court, without comment, refused to hear an appeal by a man who said he was interned as a child with his German father but was excluded from the 1988 payment programme.

Archbishop intervenes in overseas aid debate

By Alan Pike, Social Affairs Correspondent

DR GEORGE Carey, Archbishop of Canterbury, yesterday intervened in the campaign to protect Britain's overseas aid budget from government expenditure cuts.

The Archbishop, in a speech which defended the church's right to express views on political issues, called on the government to have the "moral courage and the moral self-respect" to increase aid.

"I do not underestimate the financial difficulties and political pain which the government faces. But if we think the going is rough here, let us remember the calamities unfolding in other parts of the world struggling with the catastrophe of mass starvation, chronic poverty and disease."

Dr Carey's comments came as Mr David Bryer, director of Oxfam, one of Britain's leading overseas aid charities, expressed fears that the treasury was seeking cuts of up to 15 per cent in the overseas development administration budget as part of this autumn's spending round.

On domestic politics Dr Carey – delivering a lecture on Democracy and the Christian Faith – said a substantial minority of people felt they had "no real stake at all" in British society. This was, he said, "manifestly true" of many unemployed people and others afflicted by poverty and discrimination.

Dr Carey – who warned that "democratic decisions can be a form of tyranny unless there are checks and balances – expressed concern about the "radical weakening" of local authorities, which for generations had been a buffer between the individual and central government.

"Accused as I sometimes am of meddling in politics or affairs that do not concern me, I have to reply that a Christianity which is not concerned about the whole of life is not a Christianity I want or the modern world deserves," he said.

Withdrawals halted from Mount Banking Corporation as investigation gets underway

London liquidators freeze bank's assets

By Andrew Jack and Richard Donkin

PROVISIONAL liquidators brought in to London-based Mount Banking Corporation by the Bank of England at the weekend acted yesterday to freeze its assets.

None of the 3,000 depositors, most of whom appear to be Kenyan Asians resident overseas, will be able to withdraw money over the next few days while the financial position of the bank is clarified.

The Bank of England took the highly unusual step of applying to the High Court on Saturday with a winding-up petition.

Mr Tim Hayward and Mr Philip Wallace of KPMG Peat Marwick, the accountancy firm, were appointed joint provisional liquidators.

Mr Tudor Roberts, company secretary and one of the solicitors to Mount Banking, said last night that the petition was issued "without notice" and that the directors "know of no grounds to explain the shut-down" of the bank.

The Bank of England has powers under Section 92 of the 1987 Banking Act to apply to the high court for a winding-up petition as laid down in the 1986 Insolvency Act.

In a statement issued at the weekend, it stressed that it did not allege insolvency as one of the grounds for the petition, and was acting in the interests of depositors on "just and equitable grounds".

Mount Banking also meets another requirement for authorisation – the so-called "four eyes criterion" that there is more than one person controlling the business. Mount Banking has six directors.

That leaves two other issues: whether a bank is conducting its business prudently, and whether the directors and managers have exercised fit and proper control for the positions they occupy.

The Bank of England is shortly to present further details to support its petition to the High Court, and could apply as soon as next week for liquidation once further information has been prepared by insolvency practitioners.

Mount Banking was authorised by the Bank of England in 1983. Of its depositors, only about 50 are resident in the UK. Total deposits in the bank are more than £166m.

The provisional liquidators said yesterday that they expected "substantially all" the creditors to be repaid. Any new deposits will now be controlled separately until the position is clarified.

According to the latest set of accounts for the year to March 31 1992, the bank made a loss of £900,000, compared with a loss of £678,600 in the previous 12 months. Total assets of the group were £200.5m, against liabilities of £170.7m.

Mount Banking has a Cayman Islands subsidiary called Mount Bank Cayman, which has about £10.5m in assets. It reduced its stake last year from 100 per cent to 51 per cent.

The remaining shares are held directly by I & M Holdings, a trust based in Jersey, which is also the ultimate parent of the group. The Shah family, of which three directors are on the board, are the beneficiaries of the trust.

The Shahs, who are East African Asians, are believed to also hold a 40 per cent stake in the Biashara Bank, which is based in Kenya.

Union wins claim on workers' rights

By Catherine Milton, Labour Staff

THE government conceded in the High Court yesterday that 60,000 lecturers in further education colleges are covered by a European directive intended to safeguard workers' employment conditions after takeovers.

Mr John Patten, education secretary, was ordered to pay costs estimated at £25,000 incurred by the Natfhe lecturers' union.

By conceding the lecturers' case, the government forestalled the possibility of a court judgment favouring many more workers.

The lecturers will retain their current negotiated pay and conditions which had been threatened because the colleges will leave local authority control in April next year to become independent corporations. Mr John Patten, education secretary, accepted a court declaration that EC rules would cover college lecturers following the transfer.

Natfhe claimed UK law breached EC rules on employment protection because it did not require employers to honour the employment contracts inherited when acquiring non-profit-making organisations. Contracts must be honoured when one organisation takes over another in the private sector.

Natfhe argued the rules should protect all workers.

Natfhe is now considering retrospective action over polytechnic lecturers who lost similar terms when they transferred from local authorities to corporations in 1989.

The union only secured the government's agreement that the directive will apply for the 1992 Further Education Act.

The High Court yesterday issued a consent order ahead of a judicial review on the government's interpretation of the EC directive which was due to start yesterday.

The government, under pressure from the European Commission, which is preparing to take it to the European Court of Justice, has agreed to add an amendment to its planned employment legislation, due in the next parliamentary session.

The government amendment will extend the protection to all workers in line with the directive which is itself currently being revised.

One of very few signed bullfighting scenes by Goya is to be offered at auction at Sotheby's in London in December. It is the first major subject picture by the artist to appear on the market without export restrictions for decades. A price of between £4 and £6m is expected.

The canvas was painted in Paris in 1824 for Goya's compatriot and political exile, Joacquin Maria Ferrer, and is consigned to auction, from Switzerland, by his descendants.

The current auction record for a Goya is Pesetas 78.4m or £315,569, set at Edmund Peel & Asociados in Madrid in 1986 for a picture offered without an export licence.

The picture to be sold in London is is in "almost perfect condition", according to Sotheby's expert Hugh Brigstocke.

Britain in brief

Building job losses put at 580 a day

Jobs in Britain's recession-hit construction industry have been disappearing at the rate of 580 for each working day for three years, according to angry employers.

Sir Brian Hill, president of the Building Employers Confederation, said 400,000 jobs had been lost during the past three years. A further 50,000 jobs were like to disappear between June and the end of this year taking the total to more than 450,000.

'Dirty fuel' claims denied

The orimulsion industry hit back at suggestions that it was a "dirty fuel", following last week's statement by Her Majesty's Inspectorate of Pollution that tougher environmental controls may be needed.

Dr Manuel de Oliveira, the chief executive of BP BITOR, the BP-Venezuelan joint venture which is seeking to import orimulsion into the UK for burning by power stations, said: "It is a fact that all present and proposed uses of orimulsion comply in every respect with current health, safety and environmental legislation."

Emphasis on maths urged

The mathematics component of vocational qualifications in the UK should be strengthened according to a study which compares it with provision in France. The study by Mrs Alison Wolf, senior research officer and research lecturer at the Institute of Education at the University of London, contrasts provision and its consequences in France and England.

The study, published by the National Institute of Economic and Social Research, concluded that the teaching of mathematics in France to students pursuing vocational education was not perfect. But, it was more successful than that in England and Wales for several reasons including the fact that all French vocational students studied a core mathematics curriculum of a consistent standard.

Book market worth £2.5bn

Britons bought more books per head of population than the French or the Dutch but fewer than either Germans or Americans, according to the latest figures compiled for the Publishing Association Year Book 1992.

The figures shows the UK book market is worth £2.5bn with exports well in excess of £500m. There are also additional earnings from rights sales and publishing activities overseas. "In spite of the current difficult economic circumstances, the 1992 Year Book shows good growth by the UK book industry during the past 10 years, particularly in the consumer market," the association says.

Bank appointed to advise BR

British Rail has appointed N.M. Rothschild, the merchant bank, to help it draw up ways of charging train operators for use of its railway tracks after privatisation.

The government's adviser on track charging is the consultancy arm of Coopers & Lybrand, the accountants. The Department of Transport is also being advised on privatisation by Samuel Montagu, the merchant bank, and accountants KPMG Peat Marwick.

Coupe launched

Rover Group, the vehicles subsidiary of British Aerospace, is entering the market for sports coupes typified by the Opel-Vauxhall Calibra and Volkswagen Corrado. Its 200 coupe range is being unveiled at the Paris motor show today, at the same time as the 12 millionth car to be built at Rover's plant near Birmingham is coming off the assembly line.

Euro-sceptics to confront Tory leadership

By Alison Smith

THE so-called Euro-sceptics in Britain's ruling Conservative party yesterday put the final touches to their plans for a head-on confrontation with the leadership over European monetary and political union and the Maastricht treaty as party activists gathered for their annual conference in Brighton.

Rebel MPs held a private meeting yesterday afternoon to plan their strategy both for the conference debates proper and for the fringe.

Mr John Major, however, used his speech to the annual eve-of-conference dinner for Tory party agents, to reaffirm his own commitment to the Maastricht treaty.

The prime minister told them his aim was for a European Community run in British interests, and warned that abandoning the treaty would mean no British government was ever taken seriously again in EC negotiations.

Evidence of dissent resurfaced with the publication of several amendments to conference motions on Europe and the economy. They urged the party not to ratify Maastricht and said sterling should not rejoin the European exchange rate mechanism.

Although the amendments are unlikely to be voted on, conference organisers promised that a full range of opinions would be debated.

Sir Norman Fowler, the party chairman, said "every worthwhile facet of debate" would be expressed.

Signalling that the leadership wants to play down the importance of fringe meetings, at which former cabinet ministers are likely to voice concerns over government policy, he added that "the major action at this conference will be at the conference itself."

Looking beyond the conference itself, the most outspoken Euro-sceptics predicted that proceeding with the Maastricht bill could prove Mr Major's downfall, with one hinting that the revolt could spread to other issues.

Equating such a move with "opening up the Russian front", Mr Tony Marlow, a Euro-sceptic MP, warned that the only way Mr Major could secure the bill would be by a coalition with the Labour party. "If he wants to have a coalition with the Labour party, so far as many people are concerned he would have to maintain that coalition to stay in government," he told BBC radio.

Credit figures fall sharply as consumers repay debt

BRITISH consumers avoided buying goods on credit in August, preferring instead to pay back their debts, Emma Tucker writes.

The latest official credit business figures show consumers repaid a net £30m in August, undermining hopes that a slight retail recovery. It followed a net increase in credit of £78m in July.

The Central Statistical Office said new credit advanced to consumers by finance houses, building societies and bank credit cards that are part of the Visa or Mastercard system, was £3.82bn in August, down from £4.25bn in July.

The seasonally adjusted figures also showed demand for credit shrank sharply in the three months to the end of August. Consumers repaid a net £7m after increasing their borrowings by £109m in the three months to the end of May.

Although the credit business figures represent only about 15 per cent of total private-sector debt – they do not include mortgages – they provide a useful snapshot of consumer activity.

Sterling allegations rejected by clearers

By Robert Peston

The UK's big clearing banks yesterday hit back against allegations from politicians that they made speculative profits out of sterling's withdrawal from the Exchange Rate Mechanism.

Mr Peter Wood, Barclays' finance director – speaking for all UK clearing banks – said Bank of England regulations made it impossible for any of them to make enormous *profits from trading in sterling* on September 15, when sterling was taken out of the ERM.

"We have limits on the open positions we can run", he said. These limits included the banks' internal constraints and Bank of England restrictions.

Even if the banks thought sterling would fall below its *ERM floor – as it did on September 16* – they were unable to carry a big negative position in sterling.

Mr Wood said the big profits from selling the pound were made by investment banks, some not regulated by the Bank of England, fund management groups and the treasury departments of commercial and industrial companies.

Mr Wood admitted the clearing banks made good profits from trading in sterling on the day, though he said Barclays' profit was less than £100m.

He said the bulk of profits derived from market making – by taking a dealing turn – rather than by taking a speculative position. In other words, it was the volume of trading in the market which benefited the banks most, rather than the direction of sterling's price.

Lord Inchyra, secretary general of the British Bankers Association, said the banks had been stung into defending their behaviour in the markets by politicians' allegations that they made vast profits. They were particularly concerned by the suggestion made by Lord Callaghan, the former Labour prime minister, that there should be a special tax on banks' dealing profits.

Markets exact revenge for UK policy vacuum

Pressure is mounting on the chancellor to clarify his plans, writes Peter Norman

FINANCIAL markets began to exact their revenge for the vacuum in UK economic policymaking yesterday.

Sterling seemed to enter a free fall, before stabilising somewhat in the afternoon. UK equities slumped.

Throughout all, the Treasury remained silent, commenting neither on the pound's weakness nor shedding any new light on government economic policy. In the City, the mood among analysts and economists was one of increasing despair.

When Britain proved incapable of maintaining the old DM2.95 ERM central rate, the government chose to float the pound in the belief that it would permit a "British monetary policy" geared to British needs.

After sterling's steep decline to below DM 2.40 from its ERM floor of DM2.778 there are still some advocates of lower interest rates to help stimulate the domestic economy. But there are also suggestions for sharper than planned public spending cuts, increased taxes and even higher interest rates.

In large part, this confusion reflects the overlapping of two crises. There is the continuing recession at home, which advocates of lower interest rates are above all anxious to address. Superimposed on this has been the slump in sterling's value, which has raised old fears of inflation. How policymakers respond to these two problems will ultimately depend on how the chancellor and his advisers assess the inflationary pressures prevailing in the UK.

In the meantime, financial markets have to make their own calculations about which policy option will form part of the government's economic strategy.

Lower UK interest rates were until recently a widely expected consequence of Britain's decision to float the pound. The sharp one point cut in base rates to 9 per cent on September 22 was meant to underline the new freedom that Mr Norman Lamont, the chancellor, had secured for UK policy. Some City economists, such as Messrs Roger Bootle and Simon Briscoe of Midland Montagu, believe further interest rate cuts are necessary for recovery . They are seeking base rate reductions "to 8 per cent soon and 6 per cent by next spring". But hopes of an interest rate cut have fallen with sterling's value.

Opponents of lower rates point out that sterling's decline has eased domestic monetary conditions. By yesterday evening, sterling was 12.3 per cent lower than its average for August, against the Bank of England's trade weighted basket of currencies. A rule of thumb based on the Treasury's model of the economy suggests that a devaluation on this scale is equivalent to a 3 point drop in bank base rates. Since floating, the UK has therefore achieved the equivalent of cutting interest rates from 10 per cent to 6 per cent if the pound had stayed in the ERM.

Some economists, such as Mr Bill Martin, the chief economist of UBS Phillips & Drew, say that the government should "lie back and enjoy" the effects of the pound's fall. A weaker pound will encourage exports and in the long term help to correct the UK's main economic problem of too small a manufacturing base.

But such a philosophy depends on the belief that inflationary pressures are so weak that the fall in sterling's value will not lead to retail prices and pressure for higher wages.

Until late last week, many City economists thought that the price impact of devaluation would be limited and that the average annual growth of retail prices was unlikely to rise above 5 per cent in the foreseeable future. Sterling's subsequent fall has dented these hopes. According to Mr Kevin Gardiner, UK economist at S G Warburg Securities: "It probably means that the devaluation is now past the 'free lunch' stage."

Indeed, there are some who would say that the pound's fall merits hair shirt treatment. One government economist, who declined to be identified, said sterling's fall justified a move in base rates back up to 11 per cent.

Advocates of such a move argue that the government must take steps to strengthen the pound not only to prevent rising inflation, but to bolster the current account balance of payments. Devaluation, they argue, is not enough to solve the problem of monthly current account deficits of more than £1bn. What is required is more saving in the economy so that resources are channelled into exports.

But higher interest rates would be politically devastating for the government and would doubtless have a deeply negative impact on consumers and industrialists. Many city economists also point out that on Black Wednesday, two interest rate increases to 15 per cent from 10 per cent failed to bolster the pound.

The problems surrounding monetary policy have caused the government and the City to turn their attention back to fiscal policy. Shortly after sterling floated, Mr Lamont made clear that departure from the ERM would add to the pressures on the government to keep planned public spending within the £244.5bn total targetted for 1993-4.

More recently, there have been hints that taxes may have to be raised and that spending will have to be kept unchanged in 1994-95. Higher taxes would represent a humiliating climbdown for the government from its election manifesto promises and would almost certainly be a last resort measure. But their appearance in the debate gives some idea of the pressures on ministers in charge of spending departments to settle the current public expenditure round within target for next month's Autumn Statement.

But next month is a long way away for financial markets and the slump of sterling underlines their impatience with *the government's failure* to spell out its policies. Pressure is mounting on Mr Lamont to clarify his plans.

The worry that must be haunting the chancellor, and which certainly is preoccupying the City, is that when he does so, there will be *no respite for sterling or UK* financial markets because Britain's departure from the ERM has shattered the government's credibility.


Norman Lamont yesterday, on his way to the Treasury, which has remained silent on the pound's weakness

Joe Rogaly, Page 18
Editorial Comment, Page 18

PCs are competing for power with minicomputers, write **Louise Kehoe and Geof Wheelwright**

Two heads are better than one

The ambitions of personal computer manufacturers extend way beyond the desktop. With the introduction of powerful, low-cost "servers", the PC is now invading the turf of minicomputers and mainframe computers, the traditional workhorses of corporate computing.

Local area networks (Lans) that link PCs throughout a department or office are already commonplace, but companies such as Compaq Computer, AST Research and the newly formed IBM Personal Computer Company foresee an even broader role for networked PCs.

To make the leap from a "local" to an "enterprise-wide" network, PCs need access to high-powered "servers" · machines that share computing, file storage or other resources among all of the PCs linked to the network.

Enter a new generation of powerful "multi-brained" PC servers; computer-age hydras whose performance can be multiplied by the addition of extra multiprocessor chips. These multiprocessor PCs boast the power of a minicomputer at a fraction of the price.

AST Research, for example, recently launched the AST Manhattan SMP, a multiprocessor system with four Intel microprocessors.

To hear Graham Hopper, UK general manager of AST Europe, talk, you would think minicomputers were already extinct. "The introduction of this class of machine, with performance and reliability levels on a par with minis, is like the minicomputer revolution of the 1970s with a difference. Whereas minis replaced mainframes, multiprocessors will replace the minicomputer," he boasts.

IBM PC is also offering high-powered multiprocessor PCs which analysts say will compete head to head with the parent company's mid-range AS/400 minicomputers.

Compaq Computer, meanwhile, which pioneered the multiprocessor PC with its early SystemPro models, has this week launched a higher-performance version, designated the XL model, that can process up to 185 transactions (or information exchanges) per second, giving it higher data processing capabilities than most minis. The XL is also upgradable so that users can plug in new generations of Intel microprocessors as they become available, or add extra microprocessors to boost performance further.

The appearance of these high-powered, low-cost machines represents the latest salvo in the long-fought battle between PCs and minicomputers in the office computer market.

Minicomputer manufacturers have long argued that PCs – no matter how fast and powerful they became – could never replace minicomputers because they were not designed to run large-scale applications and high volumes of information processing.

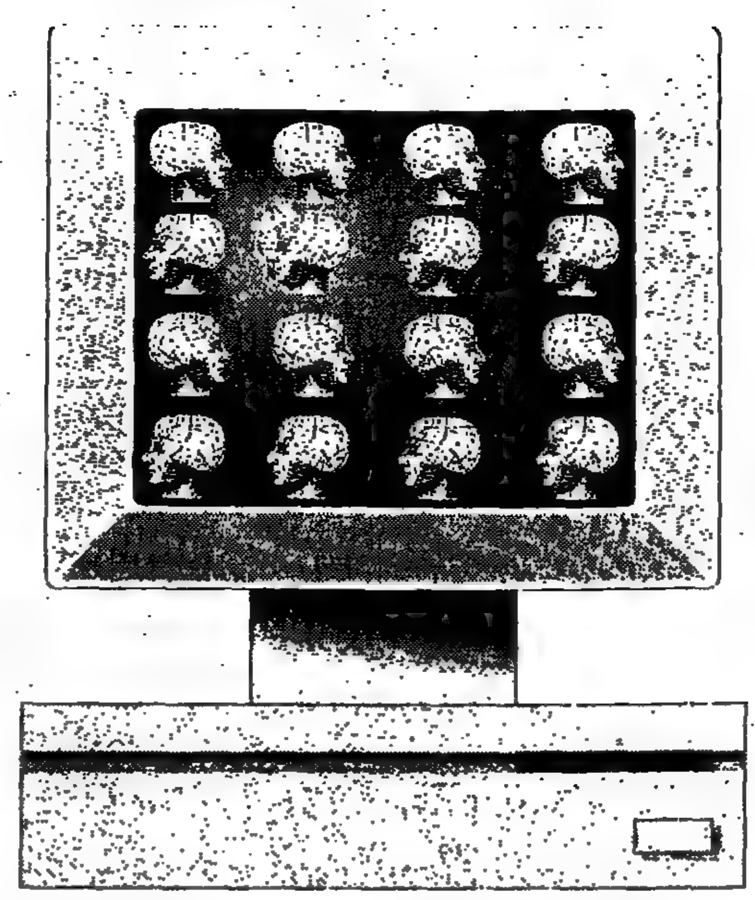
Old-guard supporters of minicomputers say that comparing PCs to minicomputers is like comparing the family car with a double-decker bus. You might be able to shoehorn the power of a double-decker bus engine into the engine compartment of a large car, but it would in no way be equipped to handle the job of a bus. It would not have the gearbox to properly control the engine, nor the physical capacity to take advantage of its power.

Indeed, PCs that act as central data storage systems for other desktop PCs on a network – generally known as "file servers" – have a reputation for slowing to a crawl when too many users require their services at once.

PC makers now claim that the multiprocessor PC will eliminate the information bottleneck by carrying out several tasks simultaneously in its multiple brains.

However, there is a catch. Whereas a wealth of software has been developed for minicomputers, there are relatively few programs designed to take full advantage of the power of multiprocessor PCs. This is because the most popular PC operating systems, MS-Dos and the Apple Macintosh operating system, were designed for use on single-processor computers.

Currently Unix, and specifically a version of Unix developed by the Santa Cruz Operation, a California software developer, represents the most popular choice of operating system for multiprocessor PCs. New operating systems, such as Microsoft's planned Windows NT and IBM's new OS/2 2.0, as well as the operating system code named "Pink" that IBM and Apple are developing jointly, will also be able to handle multiprocessing.



But the real benefits of multiprocessing will not start to be felt until users have access to applications optimised for use with multiprocessor operating systems.

The lack of software standards has persuaded at least one player in the PC market to steer away from multiprocessor PCs.

Texas-based Dell Computer has said it will wait until there are clearer hardware, operating system and software standards before entering the field.

Multiprocessor PCs are still an "almost" technology, says Patrick Murphy, Dell vice president. "We do not intend to introduce this kind of computer until we think there are some good standards in the market – there is no software to really run on them at the moment," he says.

WorkGroup Technologies, a market research firm based in New Hampshire, bears out Dell's view that multiprocessor PCs will find limited acceptance in the short term. The market analysts estimated that only about 65,000 multiprocessor PCs will be sold this year.

The multiprocessor PC is none the less setting an important trend because it promises to enable today's PC buyers to leverage their investment by boosting the performance of PC networks in the future.

For PC manufacturers, the multiprocessor PC represents an opportunity to move beyond the desktop price wars and find more profitable ground in segments of the computer market that have traditionally been beyond their reach.

Compaq serves up a new PC range

THREATENING to shake up the PC server market, Compaq Computer yesterday launched a range of aggressively priced PCs designed to work as "file servers" on PC networks. File servers can enhance the performance of a PC network by providing data retrieval services to all of the PCs on the network.

By undercutting the prices of comparable machines from its rivals in the PC market, Compaq hopes to accelerate the growth of network computing and lure customers away from competitors. Currently about 30 per cent of PCs in the US are linked to networks.

Compaq's new ProSignia PC Servers address the "mainstream" of the PC server market with fully configured systems based upon Intel 486 microprocessors ranging in price from $4,500 (£2,500) to $8,800 (£5,000). In addition, Compaq introduced a new high-end multiprocessor PC server, the Systempro/XL, which the company claims is the world's fastest computer of its type. Prices for the XL range from $14,000 to $22,300.

"The ProSignia and Systempro/XL will shake up the server marketplace just as we shook up the desktop and notebook markets in June," said Eckhard Pfeiffer, Compaq president and chief executive, referring to Compaq's launch of aggressively priced products that stimulated increased demand for PCs while fuelling a vicious price war among PC makers.

With its lower-priced servers Compaq aims to attract buyers who would otherwise have "made do by cobbling together desktop clones" to act as network servers, says Gary Stimac, senior vice president and general manager of Compaq's systems group.

Compaq has previously not participated in this segment of the market, which represents about half of PC server sales, he acknowledges. The Systempro/XL represents Compaq's bid to participate in the trend towards corporate "downsizing" in which minicomputers and mainframe computers are being replaced by networks of PCs.

LK

Technically Speaking

Insuring against software risks

By Alan Cane

COMPUTER software sometimes seems to defy common sense. To ensure the safety of a load-bearing beam, an engineer typically doubles the thickness. Applying the same approach to a piece of software simply multiplies the risks of error.

The question of how safety and reliability can be built into computer software is increasing in importance as critical social and industrial processes – from the control of aircraft and power stations to financial planning - yield to computerisation.

This dissemination of computer power will accelerate over the next few years because of the growth of international computer networking.

Orders, invoices and payments will increasingly travel digitally across continents and arrive as electronic documents.

The painstaking care needed to write fault-free programs can be difficult for non-specialists to comprehend. But although there is widespread awareness of the consequences of software errors, there is also a reluctance among business managers and legislators to make greater efforts to understand the way software is created and its limitations.

This reluctance manifests itself in a number of different ways. There is, first, the question of whether software can be relied on not only to do what is intended, but also to refrain from doing what is not intended.

An example is the issue of "phantom" withdrawals from banks' automated teller machines. The banks' argument has been that their machines are infallible. A cursory glance at research into software dependability should have convinced them that such claims are very difficult to sustain.

When software systems reach a certain size, there are simply too many variables in play for all the potential consequences to be tested. The Stock Exchange's Topic software failed during the first day of Big Bang six years ago because of a fault which had lain undetected for years.

Second, there is the question of resistance to outside interference, whether intentional or not. Breaking into a computer system from the outside may seem much less probable than an inside job, but the volume of fraud related to computer systems is no longer insubstantial.

All the signs are that it is an appreciable amount. But businesses are still reluctant to expose the fragility of their computer systems by reporting fraud, so the full extent of the damage is hard to measure.

This has the unfortunate side-effect of making actuarial assessment of the risks difficult to quantify. Increasingly it may be necessary both for companies and individuals to insure against the consequences of computer fraud and failures.

The establishment of an actuarial database to help determine premiums would be a step in the right direction.

Finally, when software has to be modified (and all major software has to be modified or maintained), can the work be carried out economically, in the time allowed and without introducing errors in other parts of the system?

The struggle most importers and exporters face to make their accounting software ready to accommodate changes in Europe-wide VAT regulations next year is just the latest in a series of computing fiascos caused by a lack of understanding on the part of senior managers of just how long it takes to make changes to established computer systems or develop new ones.

A danger is that pressures of time or resources might tempt software developers to cut costs and corners.

There are a number of pieces of research into safe software, including the European Commission's Predictably Dependable Computer Systems project, but so far there have been no easy answers. Until there is a breakthrough, awareness of the risks and a willingness to insure against them seems the best defence.

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Thumbs down for the bank manager

British businesses have become more ready to change their bank in recent years, according to a survey* for Financial Director magazine carried out by Manchester Business School (MBS).

One-fifth of the 670 finance directors polled had changed bank relationships in the past five years, most in the past two.

Fewer than 8 per cent confined their banking business to a single bank and European, American and Japanese banks had a foothold in a quarter of UK corporate accounts.

Only half of respondents believed their bank provided dependable support in a crises, while common complaints were of overcharging and attempting to sell ineffective products. The customer charters published by many banks last year had little effect, the finance directors said.

**From Jean Jepson, Centre Administrator, MBS, Booth Street West, Manchester M15 6PB. Tel 061 275 6360. 7 pages. Free*

Casting the net wide for foreign partners

More than 57,000 companies have sought to establish a partnership with a foreign company through BC-Net, a computerised network of business advice and contacts set up by the European Commission in July 1988.

The network includes countries as far flung as Australia and Argentina as well as all European Free Trade Area countries and EC members.

Family problems will get an airing

The problems facing family-owned businesses are the subject of a conference in Leuven, Belgium on November 12-14. The conference, organised by the Family Business Network, based at the Swiss business school, IMD, will consider issues such as the role of non-family managers, finance, and the value of non-family board members.

Contact Small Business Research Institute, UFSAL University, Vrijheidslaan 17, 1080 Brussels, Belgium. Tel 32 2 412 4228.

Charles Batchelor looks at one way of limiting the damage when a customer goes bust

Boxing clever to keep your title

With more than 1,200 businesses failing each week, you can be certain that some of your customers will be among them. Suppliers often take the view that there is little they can do to retrieve unpaid-for deliveries because they will be sold off or used in the business by the receiver.

But there is a way to protect your interests. This is to write a "retention of title" clause into your terms and conditions. This allows a supplier to hang on to the ownership of a consignment after it has been delivered and to reclaim the goods if the customer goes bust.

Retention of title is not a new legal concept – it has been around since 1976 when what was known as the Romalpa case established new rights for suppliers – but it has been given added urgency by the present recession. This has prompted the London Chamber of Commerce to produce a guide.*

"Banks used to scoop the pool in receiverships," says Mark Dyer, a partner in the law firm, Clifford Chance. "There wasn't even a race. But after the Romalpa case, the odds moved in favour of suppliers."

*Chemco, a supplier of photo*graphic equipment, film and plates, has found its "retention of title" clause useful in dealing with many of the 46 customers who went bust over the past 12 months, says Robert Kerr, financial controller.

But while the clause has been useful in recovering equipment supplies, it has been less helpful in recovering deliveries of the film and printing plates, because it is less easy to identify them as having come from the Amersham-based company. The important thing about your terms of trade, including the retention of title clause, is that they are made clear to your customer before, or at the time, that the contract is made. It is not enough to print your terms on the back of invoices since these go out after the contract has been struck.

Your terms need to be printed on every document you send out, from your customer contract form, through orders and invoices to delivery notes. "Don't worry about being boring," says Colin Wiseman, a partner in Booth White, insolvency specialists. If your terms are printed on the back of contract documents, they must be clearly signposted on the front and they must be printed large and clearly enough to be easily legible.

If you have long-established customers who are not aware of your terms of trade, you should send them a copy by recorded delivery mail or with a response form to acknowledge receipt. If you supply customers in response to telephoned orders, without a written contract, you should send out a copy of your terms and make clear that all future dealings will be on that basis.

If you add a retention of title clause to your terms, keep it simple. "It is easier to pick holes in a long clause," says Dyer. "Receivers work by attrition. If there is anything to argue about in the clause, they will hold on to your goods."

It is important to win what the lawyers call the "battle of the forms". The terms of a contract are determined by the last document which is sent out. If you receive an order on your customer's order form, make sure that you return an "acknowledgement of order" form which carries your own terms.

If you hear that a customer has gone into receivership, you must let the receiver know as soon as possible that you have a retention of title clause in place. You should try to visit his premises and make an inventory of your delivery.

The qualities needed to get your goods back are speed, insistence, energy and litigation, says Dyer. "You are dealing with people whose job is to give nothing away."

Damage limitation exercise: Robert Kerr (left) with Russell Hill, Chemco's transport manager

If need be, the threat of an injunction or a winding up petition can be used to back your case, Dyer told a London Chamber of Commerce conference last week. If a receiver disposes of goods which he could reasonably be expected to think belonged to a supplier, he may be held personally liable.

Receivers, not unnaturally, believe that this approach is too strong. "We don't like having to hand back goods, so you must expect a fight," says Wiseman. "But don't back the receiver into an entrenched position. Be firm rather than nasty."

The Romalpa legislation shifted the balance of power in favour of the supplier but there are still limitations to the power of a retention clause. They are:

- The difficulty in applying it to service businesses. An accountant cannot take back a set of accounts and a repair business cannot undo repairs.
- A supplier cannot reclaim goods which have been sold on to a third party or become part of another product. He cannot get back bricks which have gone into a house or the resin that has gone into making a piece of chipboard. He may, however, be able to reclaim a large electric motor in a factory which needs only to be unbolted.
- You must be able to identify your goods. Chemco is considering how it might identify small deliveries of photographic paper, at present only traceable through a batch number, by means of a delivery note number.
- Unlike receivers, administrators have the right to ignore retention clauses. The supplier could apply to the courts for a ruling but this might cost more than the goods were worth.
- In theory, a retention clause allows a supplier to reclaim the value of the goods if they have been used or sold, but in practice, it has proved impossible to so.

A retention of title clause is not a guarantee that you will get your goods back, but not having one is as good as a guarantee that you will be the loser.

**Retention of Title Clauses. A Simple Man's Guide to Implementation. By Bernard Chambers of Booth White. From London Chamber of Commerce, 69 Cannon Street, London EC4N 5AB. Tel 071 248 4444. £10.*

Green light for environmental issues

Businesses are under increasing pressure to take account of environmental issues, from the pressure groups, their customers, regulators, the public and shareholders. Yet many companies do not know how to respond, writes Charles Batchelor.

A Measure of Commitment – Guidelines for Measuring Environmental Performance* provides practical advice on how to implement measurement systems and to assess performance. The guidelines have been drawn up by Business in the Environment (BIE), an offshoot of Business in the Community, and accountants KPMG Peat Marwick.

Some larger companies have begun producing environmental reports but there is a growing demand for more precise information. Environmental reports lacking concrete detail will become as unacceptable as unquantified financial reports, said BIE.

Environmental questions are also likely to become of more concern to smaller companies, BIE said. Most of the 14 case histories used to illustrate the guidelines are of large companies but BIE is seeking to make the same techniques available to small and medium sized enterprises.

They are starting to come under pressure from their customers and are also likely to be affected by the growth of formal environmental standards, such as British Standard 7750, covering environmental management systems, and the European Commission's draft proposal for what would be known as Eco-Audits.

A company may have already drawn up an environmental policy and have set objectives, in which case it may need to move on to setting comprehensive performance measures. Alternatively, it may just be starting to design a policy and only want performance measures in priority areas, BIE said. Companies should, however, be wary of choosing "soft" areas which may be viewed by the outside world as merely a public relations exercise.

Measurement systems may need to cover a wide range of areas including processes or operations, suppliers, emissions into the air and of effluent into sewers, solid waste, energy use and impact on natural resources.

Companies need to decide which areas should have priority. They may need to set targets to reduce effluents, emissions and solid waste. They may wish to eliminate hazardous materials from their products by a set date or improve their ability to be recycled. In the corporate relations field, they may want a procedure for public disclosure and consultation on environmental matters or provide backing for environmental programmes.

The smallest company profiled in the guidelines, Hydro Aluminium Metals, with 35 employees, concentrated on energy efficiency. It had previously based its measures of gas and electricity consumption on suppliers' invoices but moved to calculating consumption per tonne of aluminium processed and measuring the percentage of waste heat re-used. A study of its melting furnace revealed significant heat losses which could be reduced.

In a separate initiative BIE is working with Peat Marwick and the Institute of Purchasing and Supply to draw up a voluntary code of practice to assess supplier performance in environmental terms. It will consult business and professional organisations before publishing its code in May, 1993.

**BIE, 5 Cleveland Place, London SW1Y 6JJ. Tel 071 321 6430. 86 pages. £15.*

AUCTIONS

COURT OF CAGLIARI (SARDINIA/ITALY) NOTICE OF AUCTION

Execution No. 71/89 versus SUIZO SARDA Spa with main office in Cagliari.
On 19th November, 1992, at 11:30 a.m. the auction sale of the building described herewith will take place:
Hotel complex named Hotel Capo Boi, registered at the Land Registry Office under F 19 maps 31/a, 32/a, 34, 50, 51, 68/a, 691/2 and 101; subject to amnesty charges.
Base price: Lit. 23,000,000,000
Minimum progressive bid: Lit. 4,000,000,000
Deposit and fees: 30% of base price to the Court's office by 16th November, 1992, at 1:00 p.m.
Residual amount to be paid within 30 days from adjudication in compliance with the Consolidation Act regulations on mortgage credit.

DIRECTOR'S COURT
E. MENEGUZZI

COURT OF CAGLIARI (SARDINIA/ITALY) NOTICE OF AUCTION

Execution No. 45/88 versus EDISAC Immobiliare Srl.
On 19th November, 1992, at 11:30 a.m. the auction sale of the building described herewith will take place:
Tourist complex in Villasimius, Capo Boi, consisting of 40 accommodation units with various appurtenances, registered at the Land Registry Office under F 19 maps 33, 35, 10 32/B, 69/S, 69/L, 691/8.
Base price: Lit. 5,200,000,000
Minimum progressive bid: Lit. 100,000,000
Deposit and fees: 30% of base price to the Court's office by 16th November, 1992, at 1:00 p.m.
Residual amount to be paid within 30 days from adjudication in compliance with the Consolidation Act regulations on mortgage credit.

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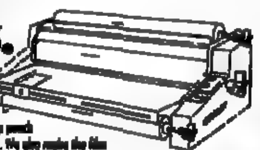

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KPMG Corporate Recovery

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- diverse and loyal customer base
- modern plant
- skilled workforce.

For further information, please contact Peter Whalley at Cork Gully, 1 Port Way, Port Solent, Portsmouth PO6 4TY. Telephone: 0705 201888.
Fax: 0705 201784.

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For Further Information Please Write To:
Box A4420, Financial Times, One Southwark Bridge, London SE1 9HL.

Rigby & Mellor Limited
(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company on a going concern basis.

The company has a unique and established position within the metal pressing and assembly industry and is located in Bury, Lancashire.

- Current turnover approximately £1.7M per annum.
- Supplier of sophisticated assemblies to the truck and tractor industries.
- Comprehensively equipped press and assembly shops including 15 presses up to 550 tons.
- Long leasehold site comprising approximately 1.4 acres, including 49,000 square feet production area and 1,300 square feet office space.

For further information please contact:
James Gleave or Greg Tate,
Arthur Andersen, Bank House, 9 Charlotte Street, Manchester M1 4EU.
Tel: 061-200 0302. Fax: 061-200 0343

ARTHUR ANDERSEN

ARTHUR ANDERSEN & Co. SC

Arthur Andersen is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Scotcoast Foods Limited
(In Receivership)

Manufacturer of Frozen Potato-Based Products

The Joint Receivers have for sale the business and assets of Scotcoast Foods Limited, a company producing frozen potato based products.

Highlights of the business are as follows:

- Fully modernised environmentally controlled high risk production facility, EEC Licensed.
- Leased premises with cold stores, packaging areas and raw material stores. Offices on site.
- Skilled staff of 43 with access locally to further operatives.
- Situated in Glasgow within 2 minutes of the M8 and 10 minutes from Glasgow Airport.
- Customer base includes major supermarket chains.

For further details please contact:
Gordon Christie or Andrew Davison,
Arthur Andersen, 199 St Vincent Street, Glasgow G2 5QD. Tel: 041-248 7941. Fax: 041-248 2029

ARTHUR ANDERSEN

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Arthur Andersen is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Machine Assembly Company for Sale
Central Germany

A well established company with extensive experience of drilling, forming, welding and assembly of major components up to a gross weight of 130 metric tonnes. Equipped with up-to date machinery, utilising the latest computer control technology. Current turnover in the region of DM 20 million, with pre-tax profits in excess of 10%. Trading as limited company (GmbH). For further information, contact:-

NIC Interconsult (Deutschland) GmbH
Mergers & Acquisitions
Praunheimer Landstr 70-6000 Frankfurt 90
Tel: 010 49 69 769 061 Fax: 010 49 69 769 813

Metal Windows, Aluminium & Glass Facades Company for Sale
Rhein-Main-Neckar Area Germany

A well established company with extensive specialist experience, including light steel construction for major projects. Current turnover in the region of DM 10 million, with pre-tax profits in excess of 10%. Trading as limited company (GmbH), with some 50 staff. For further information, contact:-

NIC *Interconsult (Deutschland) GmbH*
Mergers & Acquisitions
Praunheimer Landstr 70-6000 Frankfurt 90
Tel: 010 49 69 769 061 Fax: 010 49 69 769 813

Screen Printing Machine & Automation Company for Sale
North Germany

An innovative company with modern products, incorporating the latest in computer controlled technology. Current turnover in the region of DM 11 million, with an excellent history of growth, and pre-tax profits in excess of 20%. Trading as limited company (GmbH), with some 50 staff. For further information, contact:-

NIC Interconsult (Deutschland) GmbH
Mergers & Acquisitions
Praunheimer Landstr 70-6000 Frankfurt 90
Tel: 010 49 69 769 061 Fax: 010 49 69 769 813

B M P Holdings Limited
(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company which incorporate the business formerly carried on under the name "Brian Moorhead and Partners".

- *Structural and civil consulting engineers*
- *Leasehold premises in Hale, Cheshire and London*
- *Long established track record of prestigious projects*
- *50 (approx) employees*
- *Turnover in year ended 31 December 1991 - £2.7 million*

For further information, please contact the Joint Administrative Receivers, WS Martin and JD Newell at Ernst & Young, Lowry House, 17 Marble Street, Manchester M2 3AW. Telephone: 061-953 9000 (Ext. 1167). Fax: 061-834 7117

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Morgan Furniture Ltd.

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Morgan Furniture Ltd., a market leader in the production of contract furniture, based near Emsworth, Hampshire.

Principle features include:

- Turnover £2.1 million per annum.
- Blue chip customer list.
- 40,000 sq ft of leasehold premises.
- Technically sophisticated production facilities.
- Skilled workforce producing quality products.

For further information contact the Joint Administrative Receiver, John Dare, KPMG Peat Marwick, 1st Floor, Dukes Keep, Marsh Lane, Southampton SO1 1EX.
Tel: 0703 831465. Fax: 0703 223547.

KPMG Corporate Recovery

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Fastener Distributor
Stockport and Aberdeen

BSP Vibolt Ltd and Fuss Products Ltd (Both in Receivership) trade as distributors of fasteners and fixings to the engineering and construction industries.

- Annual Turnover approx £1m
- Contracts with blue chip customers
- Leasehold premises in Aberdeen
- Potential to purchase 11,000 sq ft *freehold premises in Stockport*
- Loyal, experienced workforce

For further details contact the Joint Administrative Receivers:
Malcolm Shierson or Allan Griffiths,
Grant Thornton, Heron House,
Albert Square, Manchester M2 5HD.
Tel: 061 834 5414. Fax: 061 832 6042.

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

WEST GERMANY

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THE WEEK IN LUXEMBOURG

Wood-pulp decision torn apart

EUROPEAN LAW

The European Commission's 1984 decision fining 36 wood-pulp producers for alleged involvement in an illegal price fixing cartel has been heavily criticised in a preliminary opinion of the European Court of Justice.

The opinion, delivered recently by Advocate-General Darmon, recommends that the ECJ should annul the bulk of the Commission's December 1984 decision imposing fines on the companies of between Ecu50,000 and Ecu500,000.

The "wood-pulp case", which involves a series of 10 appeals brought in 1985 by 26 of the producers involved, is the last outstanding competition case to be heard by the ECJ. Jurisdiction over competition cases was transferred to the Court of First Instance in September 1989.

Six of the companies affected were based in Canada, 11 in the US, 12 in Finland, 11 in Sweden, one in Norway, one in Portugal and one in Spain. The Norwegian, Portuguese, Spanish, four Swedish, two Finnish producers and a US producer were not fined. No Swedish producers appealed.

All but three appellants (Bowater, St Anne and International Pulp Sales) gave undertakings to the Commission in order to qualify for a 90 per cent reduction in the fines imposed.

The Commission decision

The Commission's 1984 decision found that the producers had infringed EEC competition rules in four main ways:

- First, almost all the producers had acted in concert on prices for bleached sulphate wood pulp announced for deliveries to the Community during the whole or part of 1975 to 1981. The Commission made a similar finding of a concerted practice on actual transaction prices for the same pulp on five EC member country markets in the whole or part of 1975, 1976, and 1979 to 1981.
- Second, the companies that were members of KEA (the US Webb Pomerene Act export organisation in whose respect the decision was annulled by the ECJ in 1988) were found to have acted in concert in exchanging individualised data on prices.
- Third, the Commission also found concerted action and individualised data exchanges, within the framework of the European industry's association Fides, on prices for deliveries of bleached sulphate hardwood pulp in the EC from 1973 to 1977.
- Fourth, some producers had infringed competition rules by including clauses prohibiting export or resale in contracts for the sale of wood pulp to customers in the EC.

However, the undertakings remain relevant as a factor affecting the level of the fines.

But, the most important aspects of the Advocate General's opinion were his dispassionate condemnation of the Commission's procedural irregularities and his approach to the economic analysis of a concerted practice.

Procedural irregularities

Procedural irregularities form the main ground for setting aside the decision in relation to transaction prices. The most blatant irregularity concerns the failure of the Statement of Objections, setting out the case against the pulp producers, to refer clearly and precisely to an alleged concerted practice on transaction, as well as announced prices.

Other infringements of the rights of defence found by the Advocate General include the Commission's failure to permit comment on new evidence requested by it after the end of the administrative procedure but used in the decision.

A refusal to disclose competitors' evidence protected by business secrecy should either have led to an appropriate non-confidential means of disclosure or the exclusion of the evidence from the decision.

"The Commission's position in this case irresistibly calls to mind those plans of prisons on which the warder alone is able to see all the inmates but they cannot see each other," he said.

The Commission should also pay the costs of the two groups of accountancy experts appointed by the ECJ to clarify economic evidential questions and general pulp market trends. According to the Advocate General, these reports do not support the Commission's decision on its procedural indiscretions.

Concerted practices

The Advocate General proposed the following definition of concerted practice: "reciprocation of communications between competitors with the aim of giving each other assurances as to their conduct on the market".

Each company is entitled to align itself independently on the conduct of its competitors, if knowledge of such conduct is obtained solely by monitoring the market. Parallel conduct cannot be equated with a concerted practice but such conduct may serve as evidence of acting in concert.

The standard of proof required is a degree of certainty that goes beyond any reasonable doubt. The burden of proof on the Commission cannot be shifted simply by a finding of parallel conduct.

"In any event, if there is a plausible explanation for the conduct found to exist which is consistent with an independent choice by the undertakings concerned, concertation remains unproven," he suggests.

According to the Advocate General, the main substantive problem with the Commission's decision was its reliance on the producers' parallel behaviour as the primary evidence of concerted action on announced prices, without reliable corroboration.

Advocate General's opinion

In his opinion, the Advocate General recommended that the ECJ should allow the appellants' claims and annul the Commission's decision in respect of the general concerted practices on announced and transaction prices.

In respect of the Fides concerted practice (involving Swedish producers, Fincell – the Finnish association, other European producers and St Anne, a Canadian producer), only St Anne should escape, on procedural grounds, he said. The fine of Ecu100,000 on Fincell should remain.

He also advised the Court to dismiss appeals in respect of the Commission's finding on the clauses prohibiting import and export. As a result, the fines on Canadian Forest Products, MacMillan and Westar should be fixed at Ecu20,000.

Advocate General Darmon was equally robust in rejecting as inadmissible claims to annul the undertakings given by all but three producers. His view was that only unilateral acts of the Commission could be challenged in the context of competition cases. An undertaking was not a unilateral act.

The judgment of the ECJ is expected before the end of the year.

Cases 89/85, 104/85, 114/85, 116/85, 117/85, 125 to 129/85. Wood Pulp, ECJ 5CH, Opinion of AG Darmon, July 7 1992.

Unemployment benefit calculations

Unemployment benefit for EC citizens working in one member state but resident in another must be calculated according to the ceilings of the country in which they are resident, although based on the last salary in the country of employment, the ECJ ruled last week.

Case C-201/91, Grisvard and Kreitz v Assedic, ECJ 1CH, October 1 1992.

BRICK COURT CHAMBERS, BRUSSELS

THIS NOTICE IS INTENDED TO INFORM ALL INTERESTED PERSONS OF IMPORTANT DEVELOPMENTS CONCERNING THE TREATMENT OF CERTAIN CLAIMS AGAINST MICHAEL R. MILKEN ("MILKEN") AND/OR OTHER FORMER EMPLOYEES OF, AND ENTITIES RELATED TO, DREXEL BURNHAM LAMBERT INCORPORATED ("DREXEL"). IF YOU HAVE A CLAIM OR ARE A MEMBER OF ONE OR MORE OF THE CLASSES DESCRIBED BELOW, YOU SHOULD CAREFULLY READ THIS NOTICE.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re
Michael Milken and Associates Securities Litigation

MDL Docket No. 924

SUMMARY NOTICE OF PENDENCY OF CLASS ACTIONS, DERIVATIVE ACTIONS, PROPOSED SETTLEMENTS, AND SETTLEMENT HEARING

This notice relates to the following class and derivative actions which have been consolidated in the above-captioned action ("MDL 924") before the Honorable Milton Pollack, United States District Judge, Southern District of New York (the "District Court"), and is directed to all persons and entities identified below:

Arsam Company v. Milken, et al., No. 91-CIV-2030-SVW (C.D. Cal.):
To: All persons and entities who purchased 11% Ten Year Senior Notes, 12 1/2% Twelve Year Senior Subordinated Debentures, 12 3/4% Fifteen Year Subordinated Debentures or 12 3/8% Fifteen Year Floating Rate Junior Subordinated Debentures issued by BCI Holdings Corporation on the public offering made pursuant to the Registration Statement and Prospectuses, dated April 10, 1986, or at any time during the period from April 10, 1986 to and including April 27, 1988 and who were injured as a result thereof.

In re New America High Income Fund Securities Litigation, Master File No. 90-10782-MA (D. Mass.):
To: All persons who purchased shares of New America High Income Fund, Inc. ("New America") common stock issued in the Initial Public Offering pursuant to the Registration Statement and Prospectus of New America dated February 19, 1988.

Lucia, et al. v. Prospect Street High Income Portfolio, Inc., et al., Civil Action No. 90-10781-MA (D. Mass.):
To: All persons who purchased shares of Prospect Street High Income Portfolio, Inc. common stock issued in the Initial Public Offering pursuant to the Registration Statement and Prospectus dated November 28, 1988.

Buttery, et al. v. Milken, et al., No. C-91-1408R (W.D. Wash.):
To: All persons and entities who received a direct or indirect interest in the common equity of PACE Industries, Inc. in connection with the leveraged buyout that resulted in the acquisition of four businesses of City Investing Company which include Rheem Manufacturing Company, Hayes International Corp., World Color Press, Inc. and Uarco Incorporated;
All persons and entities who received a direct or indirect interest in the common equity of Motel Holdings, Inc. in connection with the leveraged buyout that resulted in the acquisition of Motel 6, Inc.;
All persons and entities who received a direct or indirect interest in the common equity of SCI Holdings, Inc. in connection with the leveraged buyout that resulted in the acquisition of Storer Communications, Inc.;
All persons and entities who received a direct or indirect interest in the common equity of BCI Holdings Corporation, Inc. in connection with the leveraged buyout that resulted in the acquisition of the Beatrice Companies, Inc.; and
All persons and entities who received a direct or indirect interest in the common equity of Safeway Stores Holdings Corporation in connection with the leveraged buyout that resulted in the acquisition of Safeway Stores, Inc.

The Equitable Life Assurance Society of the United States v. Joseph, et al., No. 91 Civ. 4445 (KMW) (S.D.N.Y.):
To: All present, former and future owners of 13% Senior Subordinated Reset Notes due 1997 issued by Community Newspapers, Inc.

Frank, et al. v. Milken, No. 92-0364-CIV-HIGHSMITH (S.D. Fla.):
To: All persons who purchased CenTrust Bank (formerly CenTrust Savings Bank) Series A or Series B Preferred stock, common stock, or Series One Participating Stock at any time between January 1, 1986 and January 16, 1990 and who suffered damages as a result thereof.

In re Ivan F. Boesky Securities Litigation, MDL Dkt. No. 732, M21-45-MP (S.D.N.Y.) ("MDL-732"):
To: All persons and entities who sold National Gypsum Co., Inc. common stock on April 8, 1986;
All persons and entities who purchased Walt Disney Productions, Inc. common stock and/or July 1984 call options on June 11, 1984;
All persons and entities who redeemed, converted or sold Wickes Companies, Inc. $2.50 Convertible Exchangeable Preferred Stock during the period April 23, 1986 through June 2, 1986;
All persons and entities who purchased MCA, Inc. common stock during the period August 10, 1984 through December 21, 1984;
All persons and entities who purchased MGM/UA Entertainment Co. common stock during the period August 7, 1985 through January 13, 1986;
All persons and entities who owned The Pacific Lumber Company ("Pacific") common stock as of September 27, 1985, and who tendered any of their shares pursuant to the tender offer made by MAXXAM Group, Inc. ("MAXXAM"), exchanged any of their shares pursuant to the merger of Pacific with a subsidiary of MAXXAM, or sold any of their shares into the open market after September 27, 1985;

Orzel v. Gilliam, et al., No. CA3-90-0044-G (N.D. Tex.):
To: All persons who purchased Revco Corp. common stock during the period October 23, 1989 through December 27, 1989 until trading was halted on the New York Stock Exchange and who suffered damages as a result thereof.

Pratt, et al. v. A.F.G. Industries, et al., CA No. 4:92-CIV-193-Y (N.D. Tex.):
To: All participants in, and beneficiaries of, four former retirement plans of AFG Industries, Inc. ("AFG") as follows: Retirement Plan for the Eligible Glass Cutters of Fourco Glass Company; Retirement Plan for the Eligible Hourly Paid Production and Maintenance Employees of AFG; Retirement Plan for the Eligible Sheet Glass Cutters of AFG; and Retirement Plan for Eligible Clerical Employees of AFG.

Rubin, et al. v. Posner, et al., No. 89 Civ. 3789 (MP) (S.D.N.Y.):
To: All shareholders of Pennsylvania Engineering Corporation. (This action is consolidated with MDL-732 as set forth above and is a derivative action.)

Shacy, et al. v. Fred Carr, et al., (In re First Executive Corporation Securities Litigation), No. CV 89-7135 DT (Kx), MDL 871 (C.D. Cal.):
To: All persons and entities who purchased First Executive Corporation common stock, preferred stock, or call options during the period November 2, 1988 through January 19, 1990 or who purchased Rights or Units pursuant to the September 11, 1989 Registration Statement.

In re Taxable Municipal Bond Securities Litigation, MDL Docket No. 863 (E.D. La.):
To: All persons and entities who purchased 8.25% Agricultural Revenue Bonds Series 1986A, due October 1, 1996, issued by the Louisiana Agricultural Finance Authority, from their issuance on or about September 17, 1986 to and including April 9, 1990, and were damaged thereby;
All persons and entities who purchased 8.61% Securitized Multifamily Housing Revenue Bonds Series 1986 A, due October 1, 1996, issued by the Louisiana Housing Finance Agency, from their issuance on or about July 31, 1986 to and including April 9, 1990, and were damaged thereby;
All persons and entities who purchased 8.34% (Series 1986A, due November 1, 1993) or 9.80% (Series 1986B, due November 1, 2006) Agricultural Revenue Bonds, issued by the Nebraska Investment Finance Authority, during the period from November 13, 1986 to and including April 9, 1990, and were damaged thereby;
All persons and entities who purchased 8.80% Securitized Agricultural Revenue Bonds Series 1986A, due October 1, 1996, issued by the Louisiana Agricultural Finance Authority, from their issuance on or about October 10, 1986 to and including April 9, 1990, and were damaged thereby;
All persons and entities who purchased 9.00% Industrial Development Revenue Bonds, Series 1986A Pool, issued by the Adams County, Colorado Board of County Commissioners, prior to and including April 9, 1990, and were damaged thereby;
All persons and entities who purchased 8.68% Securitized Multifamily Housing Revenue Bonds Series 1986A, issued by the Health, Educational and Housing Facility Board of the City of Memphis, Tennessee, prior to and including April 9, 1990, and were damaged thereby;
All persons and entities who purchased 8.88% Securitized Multifamily Housing Revenue Bonds, issued by the El Paso Housing Finance Corporation, prior to and including April 9, 1990, and were damaged thereby; and
All persons and entities who purchased 8.60% Securitized Multifamily Housing Revenue Bonds Series 1986A, issued by the Southeast Texas Housing Finance Corporation, either in the initial offering or on the open market, from the date of issue until April 9, 1990 and were damaged thereby.

Three Bridges Investment Group, et al. v. Fabiano, et al., No. 89-1543B (M) (S.D. Cal.):
To: All shareholders of Imperial Corporation of America. (This is a derivative action.)

1. Notice is hereby given pursuant to Rules 23 and 23.1 of the Federal Rules of Civil Procedure of the pendency, settlement and, to the extent not previously certified, class certification for settlement purposes only of each of the above class actions and of the settlement of the above derivative actions (the "Derivative Actions") as to the Settling Participants identified below (the "Settlement"). A hearing (the "Settlement Hearing") will be held for the purpose of determining whether to approve the Settlement as fair, reasonable and adequate. If you are a member of any of the above classes (the "Classes") and do not exclude yourself therefrom, or a shareholder of any of the above corporations on whose behalf a derivative action was brought, you have the right to appear and participate at the Settlement Hearing, which will be held before the Honorable Milton Pollack, United States District Judge, United States Courthouse, Foley Square, 40 Centre Street, New York, New York 10007-1581 (the "District Court"), in Courtroom 1305 at 10:00 A.M. on November 17, 1992.

2. The proposed Settlement includes all of the claims asserted by the members of the Classes and the claimants in the Derivative Actions against all of the individuals identified in Schedule "A" below (the "Settling Individuals"), and all of the partnerships, trusts, corporations and other entities which are identified in Schedule "B" below (the "Settling Partnerships") (collectively, the "Settling Participants"). The proposed Settlement is embodied in a Stipulation of Settlement dated as of March 9, 1992 between the claimants in these and various other cases pending against the Settling Participants on the one hand, and the Settling Participants on the other (the "Settlement Stipulation"). [illegible]

[illegible]

... relates to, arises out of or is based upon the business or activities of Drexel or the Settling Participants' employment with or services rendered to or performed by Drexel, whether or not alleged to be ultra vires.

14. If the proposed Settlement and the Milken Global Settlement obtain final judicial approval, all Schedule 8 Claimants, including without limitation the members of the Classes and the claimants in the Derivative Actions, will release all of their claims which are or could have been asserted in the Schedule 8 actions as against the Settling Participants and related parties and entities as provided for in the form of Release annexed to the Settlement Stipulation. Similarly, all of the Settling Participants will release all of their Drexel Related Claims as against the Schedule 8 Claimants, the members of the Classes, the claimants in the Derivative Actions, Drexel and each other. Under certain specified conditions, the Milken Global Settlement provides the Settling Participants with certain claims over and judgment reduction protection with respect to claims asserted in the Pending Drexel-Related Milken Litigation, including the Schedule 8 actions, as set forth more fully in the Settlement Stipulation and accompanying documents. Under certain circumstances, the Schedule 8 Settlement Fund may be required to indemnify the Settling Participants, as set forth more fully in the Settlement Stipulation. In addition, all members of the Classes and all of the claimants in the Derivative Actions will be subject to a covenant not to sue the current and former officers and directors of Drexel who are identified in Schedule "C" herein, for Drexel Related Claims as set forth in the Settlement Stipulation.

15. THE DISTRICT COURT HAS NOT DETERMINED THE MERITS OF THE CLAIMS ASSERTED BY THE SCHEDULE 8 CLAIMANTS OR THE DEFENSES OF THE SETTLING PARTICIPANTS THERETO. THIS NOTICE DOES NOT IMPLY THAT THERE HAS BEEN OR WOULD BE ANY FINDING OF VIOLATION OF THE LAW OR THAT RECOVERY COULD BE HAD IN ANY AMOUNT IF THE LITIGATION WERE NOT SETTLED.

[illegible]

19. ... Classes may do so by mailing a timely and valid request for exclusion ("Request for Exclusion") to each and all of the attorneys specified in the immediately preceding paragraph, postmarked no later than November 2, 1992. A Request for Exclusion preferably should set forth the following information with respect to the person or entity requesting such exclusion: name, address and telephone number; the class or classes from which the exclusion is sought; the date, price and amount of the relevant securities transaction covered by the exclusion; a description of the facts upon which such Class member bases a claim against the Settling Participants; the identification of each Settling Participant involved in the claim; the amount claimed by each Class member to be owing to such member by reason of the claim; and the reasons for which the exclusion is sought. All Requests for Exclusion must be signed by or on behalf of the person or entity so requesting the exclusion. If you request exclusion, you will not be bound by the Settlement and will not receive any benefits therefrom, nor will you be entitled to share in the Schedule 8 Settlement Fund. However, unless you filed an action against any Settling Participant prior to May 3, 1991, all claims against the Identified Settling Parties as defined in Drexel's Second Amended and Restated Plan of Reorganization (the "Plan") (including Milken and the other Settling Participants) are barred and released pursuant to the provisions of section 12.2 of the Plan, and all persons are enjoined from asserting said claims under section 12.3 of the Plan. If you do not request exclusion, you will be bound by the Settlement and are eligible to receive benefits therefrom, including the Schedule 8 Settlement Fund.

20. In order to participate in the distribution of the Schedule 8 Settlement Fund in the event the Settlement is finally approved, members of the Classes will be required to file properly executed claim forms ("Proofs of Claim") subject and subsequent to the effectiveness of the Milken Global Settlement. Proofs of Claim are not being sought at this time. Additional notice is contemplated to be given to members of the Classes with respect to Proofs of Claim.

21. This Notice does not purport to be a complete description of the Settlement, the Milken Global Settlement, Drexel's Plan, the Preliminary Approval Order or other matters described herein. For a more detailed description of these matters, reference should be made to the pleadings in each of the Schedule 8 Actions, the Settlement Stipulation, and related documents embodying the Milken Global Settlement and the orders entered by the District Court and to all other papers filed in connection therewith, which may be inspected at the Office of the Clerk of the United States District Court, Southern District of New York, Foley Square, 40 Centre Street, New York, New York 10007-1581, during normal business hours each business day.

22. A MORE DETAILED SUMMARY OF THE SETTLEMENT, THE SCHEDULE 8 ACTIONS AND RELATED MATTERS MAY BE OBTAINED BY WRITING TO:

Heffler & Company
P.O. Box [illegible]
Philadelphia, PA [illegible]

23. Any inquiries concerning this notice by members of the Classes or otherwise should be made in writing to David Berger, Esq., Berger & Montague, P.C., 1622 Locust Street, Philadelphia, PA 19103 and Stanley Nemser, Esq., Wolf Popper Ross Wolf & Jones, 845 Third Avenue, New York, NY 10022.

DO NOT DIRECT ANY INQUIRY TO THE DISTRICT COURT OR THE CLERK OF THE DISTRICT COURT.

Dated: October 6, 1992
New York, New York

By Order of the Honorable Milton Pollack
Senior United States District Judge

SCHEDULE "A" - The Settling Individuals: [illegible]

SCHEDULE "B" - The Settling Partnerships: [illegible]

SCHEDULE "C" - Current and Former Drexel Board Members Receiving Covenant Not to Sue: [illegible]

PEOPLE

Sykes not floored by Mosaic

Mosaic Investments, the West-Midlands-based mini-conglomerate which last week suspended its shares, has hired Yorkshire entrepreneur Hugh Sykes as executive chairman.

Greg Hutchings, the chief executive of Tomkins, who owns around 9 per cent of Mosaic, had been acting chairman after Brian Disbury, the previous chairman and chief executive, was dismissed in July. Hutchings, who has been on the board since 1987, remains as a non-executive director.

Sykes, 60, built up high temperature vacuum furnace maker Thermal Scientific, which he floated on the USM in 1983 at a value of just over £3m, to sell it to TI five years later for £72.5m. He is chair-

man of Sheffield Development Corporation, set up in 1988 to regenerate the Lower Don valley. It is understood Sykes will continue with this non-executive role, but he was unavailable for comment yesterday.

The shares of Mosaic, which has sold its engineering business, and been refocusing on marketing services ranging from plastic coat-hangers to merchandising cartoon characters, were suspended at 60p after the company failed to agree terms with its bankers for a borrowing facility to redeem £2.99m of preference shares from Rodney Day, who sold his design and marketing company to Mosaic in 1988. Group managing director Leon Angrave was also not available yesterday. Mosaic said in a statement that Sykes would conduct "a thorough examination" of the group, see through the completion of the budget review, and hold discussions with the company's bankers "as soon as possible".

Rankin goes; Hann arrives

Lilley, the struggling Glasgow-based construction company which brought forward the announcement of its interim results to mid-September because its share price had plummeted, yesterday announced that its chief executive Robert Rankin has resigned. While chairman Sir Lewis Robertson said he hoped the results would "dispel unfounded market concern about the group's position", *the share price has hardly* moved since then. Yesterday it stood at 6½p.

While the company looks for a new chief executive, chairman Sir Lewis is bringing in James Hann (right) as deputy chairman, "on a part-time but executive basis". They will jointly assume responsibility for the executive management of Lilley until a replacement is found, Sir Lewis says.

Rankin, 55, left Balfour Beatty for Lilley in 1988. Sir Lewis was not prepared to comment on whether Rankin's departure derived from pres-

sure from Glasgow investment institutions.

Hann, 59, is part-time chairman of Scottish Nuclear, and between 1972-1986 was chief executive of Seaforth Maritime. Sir Lewis describes him as "a very distinguished and well-known figure in Scottish industry who happens to have some spare capacity at the moment". Hann had been chief executive as well as chairman of Scottish Nuclear between July 1991 and April of this year.

■ Professor Christopher Llewellyn Smith, chairman of physics at Oxford University, is to become director general of Cern, the European laboratory of particle physics in Geneva, at the beginning of 1994. He will succeed Professor Carlo Rubbia, the distinguished Italian physicist.

The post is one of the most visible in international science. Under Rubbia, Cern has become the world's leading centre for physics research. Llewellyn Smith will take charge of a laboratory with 18 *member states and a budget of* more than £400m a year. His main job will be to supervise the funding and construction of Cern's next particle-smasher, the £800m Large Hadron Collider.

■ **Edward Ney**, most recently US ambassador to Canada and formerly chief executive of Young & Rubicam, has been appointed chairman of BURSON-MARSTELLER's worldwide board of advisors.

■ **Niall Crabb**, md of Clay Colliery, has been appointed a director of its parent, LEIGH INTERESTS.

■ **John Newton**, until recently a director of Bovis Construction, has been appointed business development director of CHARLES HAMMOND, the interior design company.

■ **Eddie Addison** has resigned from the board of B ELLIOTT in order to devote more time to his roles as chairman of two subsidiaries: The Addison Tool Co and Addison Saws.

Ray van Schaik (left), chairman of the executive board of Heineken, and Thorlef Spickschen, chairman of the executive board of Boehringer Mannheim, have been appointed non-executive directors at United Biscuits.

Finance moves

■ **Frank Silcock** has been promoted to group finance director of BARCLAYS MERCANTILE GROUP.

■ **Richard Sharp** has been appointed director of sales trading in MERRILL LYNCH's equity markets division in London; he moves from County NatWest Securities.

■ **Martin Gilbert** has been appointed a director of WORTH INVESTMENT TRUST.

■ **Michael Spiss** has been elected a director of ABTRUST NEW EUROPEAN INVESTMENT TRUST.

■ **Ralph Ellis** has been appointed a member of the BANK OF SCOTLAND's West of Scotland local board.

■ **Simon Patterson** has joined KORDA & Co as head of healthcare; he moves from Price Waterhouse.

■ **Sir James Spooner**, former chairman of Coats Viyella, a director of John Swire & Sons, chairman of The Morgan *Crucible Company and of the* council of King's College, London, has been appointed chairman of the BT PENSION SCHEMES' TRUSTEES.

■ **Mark Yexley** has been appointed director of the Eurodollar division of PREBON YAMANE (UK).

■ **Henry Tillman**, formerly a director of Baring Brothers Inc, has been appointed a director of corporate finance at BZW.

■ **Marcus Grubb** has been appointed vice-president and international equity strategist at SALOMON BROTHERS; he moves from UBS Phillips & Drew.

The art of the big steel block

William Packer on an American minimalist in London

Each autumn lately the Tate has given over the great spaces of the Duveen sculpture halls, which form the central axis of the gallery, to a single sculptor. Now the American minimalist, Richard Serra, follows Richard Long and Anthony Caro as the first foreign artist to be so distinguished. The sculptors are asked to fit their work to the shape of the halls and even to embrace them implicitly within the work itself. Serra is the first to take this brief literally.

He has done so in the simplest and most emphatic way possible, introducing a monstrous steel block apiece into each of the two principal spaces, apparently rough and ready from their forging yet sized and placed to mark precisely the proportions of the place, the distances, gaps and spaces that together offer the sensation of architecture. And the architecture returns the compliment, for in the interplay between agent and effect, always the viewer is brought back to the physical presence, indeed to the palpable, sheer weight and mass of these simple, extraordinary objects, all 35 and 39 tons of them.

Weight & Measure is best seen with the galleries as empty as possible. There they sit, each block alone in its discrete, softly echoing, vast space, yet, through the intervening columns of the central rotunda, each visible to the other, each balance and counter to the other's physical and visual weight. At a distance they seem identical, their width exactly continuing the perspective established through the bases of the central colonnade. Their essential difference declares itself only on approaching the first, the nearer block to the entrance hall, which rises to more or less average shoulder height. On taking a siting through to the other, slowly it begins to dawn on the visitor that the further block must be in fact higher by about a head. And what one had thought would be a confirming horizontal proves to be a subtly rising plane, which takes the eye gently upwards as the heads of other passing visitors sink slowly beneath it, as they walk away. The eye runs down the full length of the galleries and rises, as it were, on stepping stones of our dead selves to higher things.

Serra's drawings, shown at the Serpentine, are similarly quite as much installation as autonomous statement or object. Large rectangular sheets of canvas are pinned to the wall to be covered with a dense coat of black pigment painstakingly laid on with paint-stick. Each of the two side galleries is thus informed by a low block in the centre of the far wall, like the ghost of a fireplace, and clearly related to the Tate's two elements. The smaller central gallery has a long low work that occupies the common corner and the better part of two walls. The work in the main gallery consists of two immense sheets, each teased into opposite corners of the room. All these surfaces are as black and heavy as sin.

The effect is manifestly theatrical, the furnishing and celebration of each particular space. Such is the purpose of the furniture and proper decoration of any room, only here so reduced and positive is the exercise, so undistracted, that we think of nothing else. We see the room exactly as it is, the more so for being not quite empty. This is not art to take away, to buy off the wall, for though its principle is infinitely re-adjustable, elsewhere it would be, in this manifestation at least, meaningless. It is, as the jargon tells us, *site specific*.

Of the work at the Tate, Serra says that he wanted "to make sculpture out of the entire volume" of the Duveen galleries, "to make the volume of the space tangible, so that it is understood immediately, physically, by your body ... that the volume, through the placement of two sculptural elements, becomes manifest in a way that allows you to experience it as a whole".

It is easy to mock minimalism for being, well, minimal. Any fool, we say, can put one brick on another, or stick a sheet of metal on its end, and call it art. Most fools, of course, do no such thing, not caring to take the trouble. On the other hand, I can only admit that too much of the higher nonsense is offered by artists and critics in self-justification. Such blather should be disregarded and we should recognise that the real problem lies as much in what we persuade ourselves a work of art should be, and what we expect of it.

For despite the lengths in time and trouble to which a Richard Serra, for example, will go to forge a massive block of steel, or cover a wall with black oil paint-stick, the real engagement of the minimalist, as with the conceptualist to whom he is so closely related, is not with the made, personal and unique object, but rather with the idea and the effect. The attention is focused closely upon even a single quality of the experience that art might offer, to be gleaned from even the barest, most mundane of objects. How little does the imagination and aesthetic sensibility need to feed on? Do we need art at all, in the modern conventional sense, when an ancient, anonymous, purposeless – for all we know – standing stone affords an experience that is clearly aesthetic and imaginative? The minimalist artist contrives a situation, a particular sensation, in short a performance to which we are invited to commit ourselves – and that has always seemed to me to be an interesting thing to do, and quite legitimate.

Richard Serra: Tate Gallery, Millbank SW1, until January 15. Drawings: Serpentine Gallery, Kensington Gardens W2, until November 15. Supported respectively by the Henry Moore Foundation, and by the Stanley Thomas Johnson Foundation and the Henry Moore Sculpture Trust.

Richard Serra working on an installation drawing at the Serpentine Gallery

Concert/Andrew Clements

Espana

At the Queen Elizabeth Hall last week the BBC mounted "Espana", a pair of concerts to mark the Columbus anniversary, both of them broadcast on Radio 3. Every schoolchild may know that this is the most specious of all historical celebrations, but it provided an excellent excuse for such a panoramic survey of Spanish music.

The BBC's new controller of music, Nicholas Kenyon, had given his personal imprimatur to these bumper, triple-decked concerts. The juxtaposition of the familiar and the arcane seemed a conscious evocation of the Radio 3 invitation concerts of blessed memory, but the user-friendly introductions – discursive scripts delivered to the audience in the hall and radio listeners alike – revealed the new, caring face of the network: Glockian iconoclasm replaced by slick, Kenyon-style packaging.

Mainstream Spanish music was included – the Matrix Ensemble under Robert Ziegler gave a robust, warmly expressive concert performance of Falla's *El Retablo de Maese Pedro* with Adrian Thompson, Matthew Best and the splendid treble Sam Pay, while Rafael Orozco played four pieces from Albeniz's *Iberia* – but the real fascination of the programmes came from the ancient and modern elements.

On Tuesday ancient Spain was represented by a selection from the wonderfully energetic and inventive *Cantigas de Santa Maria*, a 13th-century collection of troubadour songs, sung with great pungency by the Dufay Collective. Friday's concert was opened by the New London Consort directed by Philip Pickett with the renaissance *Cancionero de la Columbina*, a songbook almost exactly contemporary with Columbus's voyage.

Contemporary Spain produced the British première of *Alegrias* by the Andalucian Manuel Hidalgo, former pupil of Helmut Lachenmann and now resident in Stuttgart. It was a valuable introduction to a composer scarcely known in Britain, with an evident gift for arresting textural ideas and a tendency towards music that is mysteriously allusive and artfully intent on obscuring any subtexts.

This being a BBC promotion, there was Roberto Gerhard on both evenings too. On Tuesday the Matrix Ensemble had given a sparkling account of *Leo*, one of the most enduring and directly expressive of his late ensemble works, and Friday's concert revived Gerhard's third symphony, *Collages*, excellently performed by the BBC Symphony Orchestra under Andrew Davis.

The symphony, completed in 1960, is not the most convincing of Gerhard's major orchestral scores. There are some striking ideas, vivid concatenations of instruments with the homespun *musique concrète* of the pre-recorded tape. Yet the elements do not cohere; the continuity, the dawn-to-dusk programme, is unconvincing. Gerhard's music was uneven, splendidly effective at its best, but his zealous champions continue to overestimate his worth. In the context of this thoroughly rewarding mini-series, though, his was an essential voice.

Queen Elizabeth Hall

Montreux-Vevey Festival

Have the organisers of the Montreux-Vevey Festival suddenly become aware that if they do not hurry, the 20th century will be over? After 47 years of existence the festival has acquired an image more solid than adventurous. It is stuffed with the names of well-known soloists and conductors likely to attract wealthy residents of that lotusland and visitors who can afford the big hotels.

However, this year most of the works came from the first half of this century, with a weekend of chamber music stretching as far as Stockhausen, Glass and Adams, also a new work commissioned in memory of Messiaen. The Franco-Swiss Honegger apart (this is his centenary year) native composers were hard to find. When it comes to outward-aimed cultural relations the Swiss appear to treat their own music as a more or less guilty secret, to be kept hidden from prying ears.

The festival's final week brought an opportunity to visit one of Switzerland's shrines of culture. The Théâtre du Jorat in the village of Mézières near Lausanne has been described before on this page. This great barn, in its conversion an ancestor of the Maltings at Snape, was transformed early this century by the writer René Morax into a simple, roomy theatre with about 1000 places, principally intended for drama but adaptable for concerts and occasional opera. Honegger's *King David* had its first performance there in 1921. The place is bare, but like most wooden buildings, friendly. On this evening it housed the Lausanne Chamber Orchestra under Emmanuel Joël, with Jean-François Antonioli as solo pianist. There were two works by Honegger, the concertino for piano and the second symphony (strings and trumpet). The concertino is an agreeable lightweight, somewhere between neo-classical Stravinsky and Ravel in his jazz mood. The first two movements of the second symphony with their soberly expressed grief suited the surroundings perfectly – as in the Maltings, strings sound beautifully natural. The busy finale, culminating naively but effectively in a chorale pealing out on the trumpet, can hardly fail to work. The soloist, Gérard Métrailler, also played Jolivet's first trumpet concerto (with piano obbligato), a Conservatoire test piece whose lumpy textures I find disagreeable.

Earlier we heard the six "little symphonies" of the year's other centenarian, Milhaud; pungent miniatures written over a period of six years from 1917. They were not intended for performance together: each "symphony" uses a different chamber combination of strings and wind with, in the sixth, a vocal quartet. Thumbnail capriccios, by no means as casual as they seem at first, playing with styles as far apart as Brazil and Vienna, ranging in mood from blue melancholy to piquant mordancy, turning everything to personal use. This is the kind of experience one hopes for at a festival.

There were some empty seats. Perhaps they would have been full if the organisers had laid on transport – Mézières is not easily reached from Montreux and presumably even in this prosperous region not every music-lover has a car. Democracy is a house with many mansions but even so, for a village enterprise intended above all to be "popular", it is surprising to have top seat prices at about £37 (SFr80) – in a Spartan, unheated building with bare benches.

Montreux itself has been forced to make do with a provisional concert hall in the Congress Centre by the lake – a large, rectangular, low-ceilinged, one-level chamber which inflates and muddles orchestral sound. This was deafeningly demonstrated by the Suisse Romande Orchestra's concert under the regular conductor, Armin Jordan. In more senses than one a smashing programme – Roussel's third symphony, Ravel's left-hand piano concerto with Leon Fleisher as a commanding soloist, Janácek's sinfonietta – it could have been designed to show off the hall's bad points. And this was the same orchestra and conductor who made such sweet sounds for *Louise* in Geneva a few nights previously. Fortunately, the new Auditorium Stravinsky (the composer lived nearby for some years) is rising on an adjacent site and will soon be ready.

Ronald Crichton

Theatre/Catherine Milton

Boardroom Shuffle

Christopher Warrick's *Boardroom Shuffle* begins with wine for the audience but fails to maintain this level of entertainment.

The directors of the multi-billion ecu Satellite Energy Transfer Technology company are all set to cheerlead their shareholders and the press through a glossy annual general meeting when the company's head announces his resignation. Peter Blake (Jeremy Spriggs), has begun to believe in his corporate image – a nauseating creation of the company as family. He invites four candidates for the top job to take their pants down in public as part of a contest which appears to be based on *Endurance*, the Japanese game show of Clive James fame.

The disintegration which follows is a provocative exploration of loyalty, treachery and ambition. Everyone, except the mysterious supercomputer, unveiled at the AGM, has at least one hidden shame and most have betrayed someone.

The imaginatively chosen set, the yawning, glazed atrium of the Cotton's Centre in London's Tooley Street, is a challenge for the cast. The production opens with the members of the American Connexion theatre company, self-consciously in character, milling around making mad small talk with those who arrive early.

It is a nice device and might have worked had the actors not been foiled by genuine city slickers passing by from nearby offices and stomping implacably through the props, looking much the madder of the groups.

Gregg Ward's strong script is let down by some of the performances. However, Jeremy Spriggs is competent as the messianic inventor (to underline that point, he enters riding on a bicycle to the strains of *the corporate hymn*).

Martin Chadwick (Keith Bayliss), the finance director, is all paternal complacency. It is his deeply antipathetic character, supported by greasy hair and square spectacles, which best expresses the potential tensions between the idea of loyalty to corporate profits and loyalty to life.

Paula Mitchell (Meera Devon), as head of communications, captures something of the modern press officer. Parroting the weird patois of corporate literature, she knows how to smile with just the right degree of insincerity. She is amusing as the patient peon whose work is undermined by the stupidity of her boss.

The pace of the production is patchy. There are compelling moments. One contestant for the top job is forced to reveal a personality disorder for which she was institutionalised. But the atmosphere moves through pathos to bathos as she discloses it was an addiction to sex. However, the production is slow to start and sags worryingly in the middle.

Tippett and Strauss

Dame Kiri te Kanawa

Richard Strauss was 77 when he composed *Capriccio*, his last opera, and there was only a little "late Strauss" still to come – notably, of course, the Four Last Songs. When Sir Michael Tippett wrote his Triple Concerto more than a dozen years ago he was 74, but even now there seems to be no swansong in the offing. Piece after piece comes from him still, often vigorous and always idiosyncratic.

The Triple Concerto, which André Previn conducted with the London Symphony at the Barbican on Sunday, is among the most splendid of his late works. The orchestral invention is rich and telling, the solo roles – for violin, viola and cello – dramatically contrasted and eloquent. Evidently those roles are full of rewards; they seem to inspire the players who take them up.

Here they were the LSO's leader, Alexander Barantschik, and its (co-)principal viola and cello, Edward Vanderspar and Moray Welsh. In that sense, they are an experienced trio. Their dialogues sang with arching passion, not forgetting Tippett's characteristic flicks of mischief. Previn's gift for achieving a lucid balance in the tricky Barbican acoustic was well-found: the orchestra never sounded throttled, but every solo line came through intact.

This entirely gripping performance followed a tamer one of Mozart's Symphony no. 39 (gracious and sensible, untouched by recent experiments in lighter, leaner "period" style), and was itself followed by *Capriccio* excerpts: the "moonlight" interlude, and Kiri te Kanawa in the Countess's closing monologue. The interlude began grumpily, with a first horn who seemed to have left his *legato* at home somewhere, and the music failed to make its best silvery effect.

Dame Kiri's soprano was silvery enough, and lovely. Impossible not to surrender to it, in this ravishing Straussery; impossible also, though, not to regret the words, which were all but lost. This is one of Strauss's most inspired operatic monologues, and its shape – its calculated dramatic form – needs more pointed attention to verbal sense than Dame Kiri cared to give it.

It was naughty of the programme-book to suppress the major-domo's closing line, even if it wasn't to be sung here. As the Countess's last rhetorical question hangs in the air – "Is there no ending to this opera that wouldn't be trivial?" – he announces: "Countess, supper is served."

David Murray

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INTERNATIONAL ARTS GUIDE

ANTWERP

De Vlaamse Opera 20.00 Silvio Varviso conducts first night of Robert Carsen's new production of Turandot, with Johanna Meier in the title role. Further performances on Oct 9, 11, 14, 17, 20, 22 and 25 (233 6685)

CHICAGO

LYRIC OPERA

Leonard Slatkin conducts Götz Friedrich's production of Elektra on Thurs (also Oct 12, 16, 21, 26, 30), with Eva Marton, Leonie Rysanek and Nadine Secunde. Jiri Kout conducts The Bartered Bride on Fri (also Oct 14, 17, 19, 24, 27, Nov 1, 4, 7), with Barbara Daniels and Neil Rosenshein. Sat and next Tues: final performances of Rossini's Otello (332 2244)

CHICAGO SYMPHONY

Neeme Järvi conducts the next two weeks of concerts at Orchestra Hall. This week's programme (Thurs, Fri, Sat) features works by William Bolcom, Atterberg and Tchaikovsky. Erich Leinsdorf conducts two weeks of concerts in the second half of the month, and Georg Solti returns in Nov (435 6666)

MUNICH

OPERA

Due to repair work at the National Theater, the Bavarian State Opera is giving concert performances in Munich's other theatres. Fri and next Mon in Prinzregententheater: Dvořák's Dimitrij (extracts), with Kenneth Garrison in the title role. Sat, next Mon, Wed and Fri in Cuvilliés Theater: Mozart's Apollo et Hyacinthus and Il sogno di Scipione. Sun at Gasteig: Otello with Ermanno Mauro, Piero Cappuccilli and Sharon Sweet (221316)

CONCERTS

Tonight, Wolfgang Sawallisch conducts a Strauss concert in the Herkulessaal, with Julia Varady soloist in the Four Last Songs (221316).

Thurs at Gasteig: Russian National Orchestra plays Tchaikovsky. Fri: Peter Hofmann in concert. Next Mon: Ronald Zollman conducts Belgian National Orchestra. Next Thurs and Fri: Lorin Maazel conducts Bavarian Radio Symphony Orchestra. Oct 17: Czech Philharmonic. Oct 20: Emerson Lake and Palmer. Oct 22: Dave Brubeck (48098 614). Fri at Olympiapark: José Carreras and Agnes Baltsa. Sat and Sun: Chris de Burgh (3067 2424)

THEATRE

Maly Drama Theatre from St Petersburg presents Gaudeamus, a black comedy about the Russian army, at the Deutsches Theater. Opens tomorrow, daily except Mon till Oct 18 (5144 360). The Residenztheater has a new production of Ariel Dorfman's Death and the Maiden opening on Sun (225754). The repertory at the Kammerspiele includes Dieter Dorn's new production of Much Ado About Nothing, plus Ibsen's When We Dead Awake, Goethe's Stella and Molière's Don Juan (2372 1328)

NEW YORK

JAZZ

Blue Note Jazz Club and Restaurant Pop-soul diva Chaka Khan, enjoying a revitalised career, makes her Blue Note debut tonight, daily till Sun at 21.00 and 23.30. Next week: Nancy Wilson. Oct 20-25: Regina Belle. Oct 27-Nov 1: Dianne Reeves. Nov 3-8: Diane Schuur (131 West 3rd St, 475 8592)

Algonquin Hotel The Oak Room is at present home to Susannah McCorkle, a jazz-pop singer who has been known to root around in the archives for lost or forgotten numbers. Shows at 21.30 daily except Mon, with an extra show at 23.30 on Fri and Sat (59 West 44th St, 840 6800)

Carlyle Hotel Singer-pianist Barbara Carroll starts an engagement tonight: her sets are usually mixtures of jazz and cabaret, including songs by Gershwin, Cole Porter, Dizzy Gillespie and some of her own. Music from 21.30 Tues to Sat (Madison Ave at 76th St, 744 1600)

Rainbow & Stars Maureen McGovern, a versatile cabaret performer with a four-octave range, can be heard daily except Mon. Music from 21.00 (30 Rockefeller Plaza, 632 5000)

PARIS

DANCE

Rudolf Nureyev's new production of La Bayadère, designed by Ezio Frigerio and Franca Squarciapino, opens at Palais Garnier on Thurs and runs till Oct 31. Nov 3-8: Alvin Ailey American Dance Theater (4742 5371). Sat: Roland Petit's Ballet National de Marseille opens a three-week season at the Opéra Comique (4286 8883). Oct 21-28 at Châtelet: William Forsythe's Frankfurt Ballet (4028 2840)

OPERA

June Anderson sings arias by Rossini and Verdi tomorrow at 20.00 in the Bastille, conducted by Myung-Whun Chung. Chung also conducts a staged production of Honegger's Jeanne d'Arc au bûcher opening on Fri (eleven performances till Oct 31). The final performance of Le nozze di Figaro, with Gilles Cachemailles and Marie McLaughlin, can be seen on Sat. A revival of Elektra, starring Gwyneth Jones, opens next Tues (4001 1616). Sat in Châtelet: Evgeny Onegin starring Dmitri Hvorostovsky, repeated next Mon, Wed and Fri (4028 2840)

CONCERTS

Armin Jordan conducts the Ensemble Orchestral de Paris tonight at 20.30 in the Châtelet, with Raphael Oleg soloist in Schumann's Piano Concerto (4028 2840). Semyon Bychkov conducts the Orchestre de Paris in Britten's War Requiem tomorrow, Thurs and Fri at Salle Pleyel (4563 0796). Fri in Grand Auditorium de Radio France: Marek Janowski conducts works by Milhaud, Ibert and Honegger (4230 2308). Oct 15 in the Châtelet: Janowski conducts Schumann's oratorio Das Paradies und die Peri. Oct 17 and 23: Boulez conducts Ensemble InterContemporain (4028 2840)

THEATRE

A new play by Edward Bond, The Company of Men, runs at the Théâtre de la Ville till Oct 24 (4274 2277). Eugene O'Neill's Long Day's Journey Into Night can be seen daily except Mon at Théâtre de la Madeleine (4265 0709). Stephane Braunschweig's production of The Cherry Orchard is at Théâtre de Gennevilliers, daily except Mon and Thurs till Oct 18 (4793 2630). Zarzuela Historia de un patio, a zarzuela-based entertainment, runs till Oct 17 at Théâtre des Bouffes du Nord (4607 3450). Odon von Horvath's play Tales from the Vienna Woods, can be seen daily except Mon till Nov 23 at Bobigny (4831 1145)

WASHINGTON

CONCERTS/DANCE

Rafael Frühbeck de Burgos conducts the National Orchestra of Spain on Sun at Kennedy Center Concert Hall, with piano soloist Alicia de Larrocha. Oct 17: Anne Sophie Mutter. Oct 21-25 in Opera House: Mark Morris Dance Group. Oct 24: James Galway (467 4600)

THEATRE

- Captains Courageous: a musical inspired by Kipling about a Portuguese fisherman and a young boy. Till Nov 22 (Fords Theater 347 4833)
- Troilus and Cressida: a Shakespeare Theater production directed by Bill Alexander. Till Oct 23 (Lansburgh 393 2700)
- Marvin's Room: Scott McPherson's black comedy about a family confronting life's problems. Till Oct 18 (Eisenhower Theater 467 4600)
- Forever Plaid: Stuart Ross's musical memory play about the first gig of a group of teen angels in 1964. Oct 13 to Nov 8 (Morris Mechanic Theater 410-625 1400)

JAZZ/CABARET

Blues Alley Jazz Supperclub Sun: Charlie Haden's Quartet West, plus Ernie Watts (saxophone). Next week: vocalist Karen Akers (1073 Wisconsin Ave, in the alley, 337 4141)

Barns of Wolf Trap Thurs: Second City National Touring Company, improvisational comedy troupe. Fri: The Iguanas, tex-mex dance music. Sat: Irma Thomas, soul singer (703-218 6500)

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(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Ballin
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Tuesday October 6 1992

Down and down again

BRITAIN'S economic policy establishment, like its economy, is paralysed. But the longer the paralysis continues, the deeper will be the damage from the debacle of recent weeks. The government needs a new medium-term framework for policy and an institutional structure to implement it. Only then can it hope to bring real order into sterling's position in the foreign exchanges.

It was always inevitable that sterling would fall further against its European partner currencies than justified by economic fundamentals. Sterling's fall since the UK left the ERM has, in fact, so far been well short of a disaster: 14 per cent against the D-Mark but only 11 per cent using a trade-weighted basket of currencies including the yen and the dollar. Against the dollar, this represents a return to normality after the heady heights to which sterling was previously dragged by the D-Mark's appreciation. The inflation risk from such a devaluation is contained by the economy's deeply depressed state.

Yet the government cannot afford to allow sterling to go on falling if it wishes to avoid stoking up serious inflationary problems. The most obvious course of action in these circumstances – to raise interest rates – would almost certainly be counter-productive. Given the depth of the recession, double-digit UK interest rates are not credible because the markets know that the government cannot sustain them.

Siren voices

What the markets need is reassurance that Mr Major is not going to bow to the siren voices, both within and outside his party, and cut interest rates too hard too fast. Large cuts in UK interest rates now are the best way to ensure that this latest devaluation, like all the others of recent decades, leads to consumption and inflation rather than investment and growth.

A prudent short-term monetary policy would imply falls in interest rates over the next year, but only once the markets are calmer. The experience of the US, Australia and other debt-burdened economies is that cuts in short-term interest rates combined with substantial currency depreciations can be accommodated without generating inflation. But no one knows how much UK policy has been eased by the fall in sterling of the past few weeks. And the UK's inflationary psychology means that a softly softly approach on interest rates is all the government can afford to pursue if the gains to competitiveness of the past weeks are to be retained.

Policy gap

While the government remains silent, and the markets nervous and jumpy, the risk of a further collapse will remain. The task facing the government is to calm the situation. This cannot be achieved by party conference speeches; it requires the policy gap to be filled.

It is very difficult to see how Mr Norman Lamont can assist his prime minister in addressing this enormous credibility problem. Mr Lamont's difficulty is not that anything he says is by definition incredible. In fact, the opposite is true. The longer he stays in office and is seen by some to be dangling the prospect of rapid interest rate cuts to Euro-sceptical Tories, the more the markets will lean on the pound. The words Mr Lamont needs to use to bolster his political position in Brighton this week are precisely those which will do most damage in the markets.

Much more important than any changes in Treasury personnel, however, is the removal of the power to make monetary policy from Treasury hands. Promises to fight inflation or to monitor an unspecified range of economic indicators, whatever they may be, will continue to ring hollow when uttered by British politicians of any party, whether counselled by the current or any other cohort of Treasury advisers.

The government needs a new division of economic labour. An independent Bank of England is no panacea. But it would be a step towards monetary policy credibility, if suitably constituted. Taking the power to set interest rates out of political hands is also a precondition of a successful re-entry of sterling into the ERM.

Only then would the Treasury be free to cut public spending and/or raise taxes and so maximise the chances of an investment-led recovery.

Predators come out to play

IF BRITAIN'S increasingly substantial devaluation is to work, it needs more than the support of appropriate fiscal and monetary policies from the government. Industrialists have to seize the new opportunity for export-led growth. Yet the first tangible signs of confident activity in industry after Britain's departure from the exchange rate mechanism (ERM) appear to be coming not so much from the tradeable goods sector, conventionally defined, as from the market in corporate control – witness yesterday's cash offer by Hanson for food group RHM and the earlier unsolicited tender offer from Hongkong Land for a minority stake in Trafalgar House.

It would be foolish to draw too many conclusions in the aftermath of the ERM disaster from one hostile bid and another partial offer. The most striking features that the two besieged companies have in common are anyway independent of external circumstances – namely, unexciting management and disillusioned shareholders. That said, British assets now look cheap even to a bidder from Hong Kong, whose currency is pegged to a sagging dollar, and Hongkong Land decided to make its tender offer before yesterday's spectacular stock market collapse. Moreover, Britain remains one of the few economies in the world where the right to manage companies is up for sale at all times.

Opposite risks

Against that background it would be surprising if local predators with cash on the balance sheet were not the first to scent that the time was ripe to give their acquisitive instincts free rein. There is, in addition, a risk that the return on cash will fall and equity prices rise if the government heeds calls to go for broke by reducing interest rates sharply.

But there remains an equal and opposite risk – as Hanson knows from its acquisition of assets in the construction and house-building group Beazer last year – that a decision to go for a given target may not be validated by the timing and shape of a subsequent economic recovery. With hindsight, BTR's bid for Hawker Siddeley looks better attuned to an economy whose best hope now lies with export-led growth.

Yet the risks look greater for Hongkong Land's investment in Trafalgar than in Hanson's bid for RHM. Trafalgar, with a portfolio of business almost uniquely ill-suited to the depredations of the present recession – property, house-building, construction, cruise liners, hotels and engineering – would be a handful for any management. The businesses may have impressive names, such as Ritz, Cunard and John Brown, but the valuation of the assets presents huge difficulties in the present climate, especially in property. Further doubt is cast on the quality of assets and earnings by criticism from the Financial Reporting Review Panel. Those who long suspected that Trafalgar's way with accounting was idiosyncratic have been applauding the new accountancy watchdog from a safe distance.

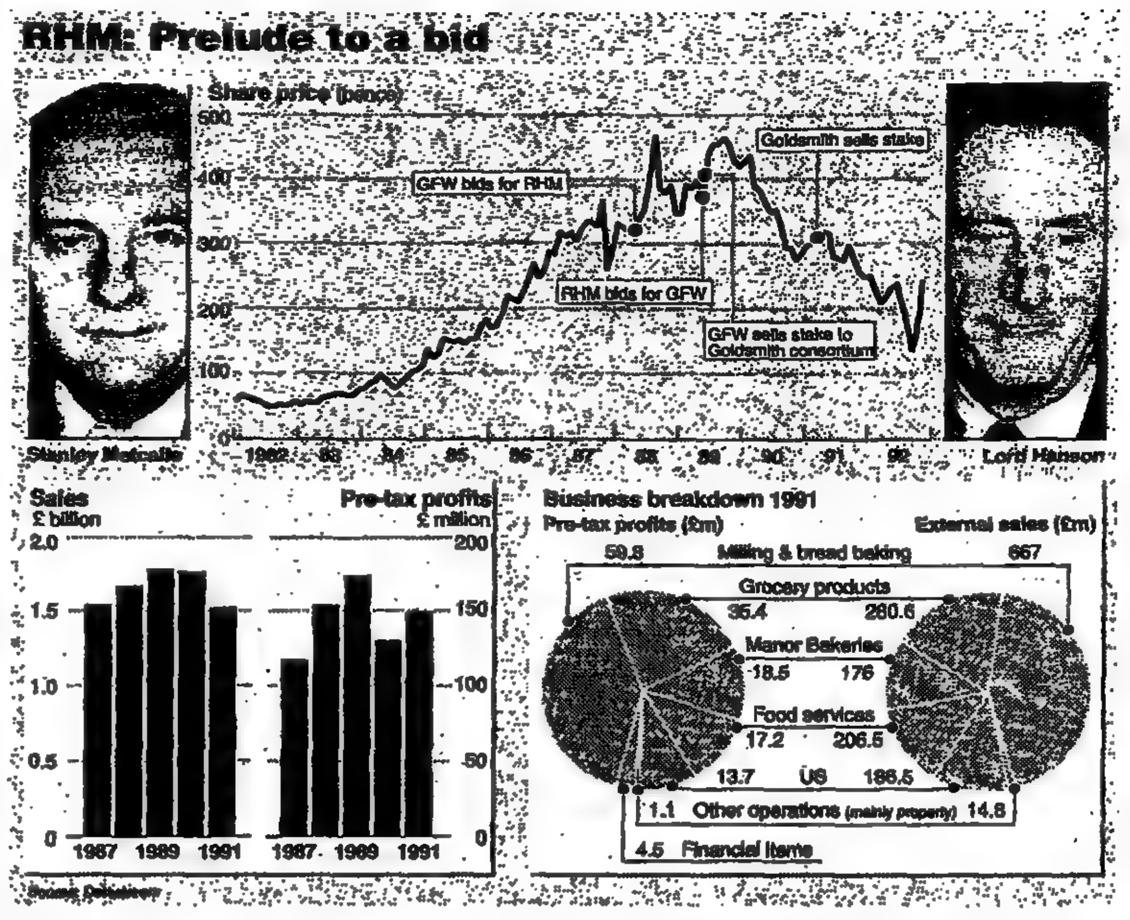
A solid business

In contrast, RHM is the custodian of excellent brand names and solid, if unexciting, businesses. Having attracted the predatory attentions of Goldman Fielder Wattie and Sir James Goldsmith at the end of the great 1980s takeover boom, it is an old bid chestnut whose share price languishes way below its level when last under attack. In short it has all the lacklustre but cash-generative characteristics that Hanson has looked for in its past acquisitions. And the bid, which Hanson has toyed with on more than one previous occasion, comes when analysts suspect that conditions in the milling industry are just about to take a turn for the better.

What Hongkong Land might bring to Trafalgar House is an open question. It would look an unlikely manager for the businesses of John Brown, Davy or Cunard. As for Hanson, it could reasonably claim to bring useful financial muscle to RHM, but on the basis of its recent record, not much more. What evidence there is suggests that takeovers produce fewer, if any, efficiency gains than their proponents loudly proclaim. Sterling's devaluation will have to be followed by something more substantial than a flurry of bids and deals if anything much is to come of it.

Hanson's £780m bid for RHM is the biggest threat the food group has faced, say Guy de Jonquières and Maggie Urry

The battle of the breadline



Mr Stanley Metcalfe, chairman of RHM, the baking and grocery group, has a reputation as one of the great survivors of Britain's food industry. He has not only enjoyed an exceptionally long innings at the top of his company – eight years as managing director and three as chairman – but since 1988 has twice successfully defended it against predators.

However, yesterday's £780m bid for RHM by Hanson lands Mr Metcalfe with the challenge of his career. A well-financed conglomerate with a fearsome talent for acquisition, Hanson looks a far more formidable adversary than Goodman Fielder Wattie, the New Zealand bakery which bid for RHM in 1988, or the short-lived consortium headed by Sir James Goldsmith which became RHM's biggest shareholder a year later.

Equally important, RHM appears far more vulnerable today. While it could boast in 1988 that its profits growth in the previous five years had outstripped the rest of the food industry, its recent performance has deteriorated alarmingly. Pre-tax profits fell 36 per cent in the first half, and industry observers expect a full-year result of less than £100m, well down on last year's £150.2m.

This record has sorely tried the patience of RHM's shareholders, who barely four years ago were staring at a 465p per share offer by Goodman Fielder which valued their company at £1.73bn. Nor has Mr Metcalfe's attitude to investor relations endeared him to the City of London, where he is widely viewed as aloof and uncommunicative. His recent efforts to secure investor loyalty have relied heavily on a determination to hold RHM's dividend.

More fundamentally, industry experts have faulted RHM for lacking clear strategic vision and direction. Though Mr Metcalfe is praised for shaking up RHM in the early 1980s, shedding peripheral activities and investing in efficient manufacturing, critics argue that he has since taken his eye off the ball.

Though his efforts to expand beyond milling and baking have reduced the latter to about 40 per cent of total turnover, diversification has brought mixed results. Some acquisitions, notably the £281m purchase of Avana foods in 1987, have been disappointing, as has RHM's involvement in the US.

The sternest criticism, though, is that since Goodman Fielder first took a stake in RHM in 1986, top management has spent too much time worrying about insulating itself against the risk of takeover. "They have concentrated too much on the share price and not enough on strengthening the long-term position of the business," says Mr David Lang, industry analyst with stockbrokers Henderson Crosthwaite.

Given RHM's signal failure to keep its share price up, few in the City were surprised by yesterday's bid. Indeed, the company is rumoured to have been hawked around the food industry as a potential target for several weeks.

Nonetheless, it is not certain that Hanson will have a clear run. Though its offer of 230p a share is 45p above the price at which RHM shares closed on Friday, it falls some way short of the company's break-up value, which some in the City put at £900m to £1bn. Much of this lies in RHM's collection of small but desirable grocery brands, which were valued on its balance sheet at £608m in August last year.

It is possible, therefore, that RHM could yet attract a counter-bidder or find a white knight. However, its quest a couple of years ago for a friendly merger partner came to nothing – at least partly because of anxieties about its troubled bread-baking business.

Indeed, since a bread price war broke out three years ago, savaging RHM's profits, this part of the business has been widely considered the company's most effective poison pill. Hanson's readiness to take on the challenge of running it is, accordingly, its strongest trump card.

RHM is Britain's second-largest baker after Associated British Foods. In the past decade, it has radically overhauled its operations, replacing 65 small, elderly bakeries with 18 efficient high-capacity plants. It also saved money by replacing a fragmented local distribution system with an integrated national one, anticipating the emerging needs of powerful supermarket groups which now dominate bread sales.

However, these large investments have not shielded the company from fierce competition from a small band of independent bakers and millers. Operating with lower overheads than RHM and ABF, these privately-owned concerns have aggressively won cut-price business from the big supermarkets, many of which have increasingly treated bread as a loss-leader.

At one point last year standard white loaves, the industry's staple product, were on sale for as little as 27p, compared with about 40p in the late 1980s.

RHM and ABF have responded by by following prices down in an attempt to hold on to market share. Though their profits have taken a beating, the two companies have reasoned that the only way to restore their control over the market was to eliminate excess capacity by driving their upstart competitors to the wall.

Industry experts are divided over their success. Some believe the high margins enjoyed by the industry in the late 1980s will never return. They argue that the supermarkets are now in the driving seat and will ensure that enough independent bakers remain in business to keep the industry leaders permanently off-balance.

Others, however, think the market may soon stabilise. ABF is believed to be planning capacity cuts, while a poor northern European harvest is depriving independent bakers and millers of access to the cheap grain which they relied on to produce cut-price bread. Indeed, some in the industry believe there is a good chance of making an imminent price increase stick.

If the optimists are right, Hanson will have called the turn in the industry brilliantly. If they are wrong, the company could still improve short-term margins substantially by making the steady capacity cuts which RHM has so far refused to contemplate. Such thinking appears to have contributed to a sharp rise yesterday in the share price of ABF.

Though Hanson's talents as a marketing organisation are debatable, its record as a cost-cutter and manager of low-tech manufacturing is widely respected. Bread, a commodity product in long-term decline, could lend itself well to the same type of management approach as Hanson has brought to the tobacco business of Imperial Group, which it acquired in 1986. Since then, the business has doubled its profits.

But threats of savage retrenchment at a time of rising unemployment could also play into the hands of RHM, which energetically mobilised political opinion against Goodman Fielder's bid.

In any event, the lack of other plausible bidders for RHM's bread division would be likely to leave Hanson lumbered with it for the foreseeable future. The same may not be true, however, of the rest of the business, which consists of a mixture of branded groceries and "private label" food items sold by supermarkets under their own name.

Hanson will not be drawn on its plans. But it has only limited experience of running packaged grocery companies, and sold off the food businesses of Imperial and SCM in the US soon after acquiring them. Its only food-related business today is the Seven Seas vitamin pill and fish oil company.

If Hanson decided to sell RHM's food operations, there would be no shortage of takers. Though none of the businesses is a mega-brand, and some have suffered from trading down by consumers in the recession, many have established highly profitable niche positions.

The head of a competing food manufacturer said recently that he would give his eye teeth for Sharwoods, RHM's sauces and condiments business, while old favourites such as Paxo stuffing and Bisto gravy mixes continue to dominate admittedly mature markets. Mr Kipling's cakes and pastries have also been consistent money spinners.

Some critics accuse RHM of not doing enough to support these brands, preferring instead to conserve cash by building up its private label business, which requires minimal investment in product innovation and none in marketing. They also argue that it has been too slow expanding into continental Europe, where it earned only £73.6m of its £1.5bn sales last year.

It is doubtful how much Hanson would do, if it kept RHM intact, to improve on either of these points. Much more likely, it would choose to realise the value of RHM's brands by auctioning them off to one or several bidders, either in the UK or abroad. In the latter camp, BSN of France, and CPC and Conagra of the US are already being mentioned as potential buyers.

Valuing the RHM brands is extremely difficult. Some analysts believe they are overstated in the company's balance sheet because that valuation – highly controversial at the time – was decided in a bull market, when investors and food manufacturers were gripped by an onset of brand frenzy.

But much would depend on the nature and ambitions of bidders. The prices paid would be influenced not only by the brands' earning record, but by their potential for expansion in the hands of a new owner. While it is hard to imagine that there would be much demand outside Britain for Paxo or Bisto, Mr Kipling might find a wider market in continental Europe.

However, the main appeal of RHM's brands is that they could expand the operations of a UK competitor or offer an entrée into the British market for a foreign company. In recent years, the huge marketing costs involved in establishing brands from scratch have made acquisitions an increasingly attractive option.

However, a wave of takeovers in the UK food industry has taken many attractive companies off the market in the past few years. Of the larger ones which remain independent, only Allied Lyons, Cadbury Schweppes and United Biscuits still command strong brands and market position. Of those which remain, many are struggling in low-margin commodity businesses or are paying the price for over-expansion in the 1980s.

For these reasons, the progress of Hanson's battle for RHM will be followed with close attention by acquisition-minded food companies in the UK and abroad. But by the same token, it seems unlikely to signal the start of another big round of takeovers in the industry.

Joe Rogaly

'The economy, stupid'

Britain seems set for a return to its customary grade B level of peacetime government, since the chances are that Mr John Major's administration will make a recovery of sorts. We can therefore look forward to the prime minister sitting in Number 10 Downing Street, the puppet of events, taking what comes as he serves out the five-year term of office to which the Conservatives were elected in April.

This is not an especially gloomy view. Mr Major displayed grade A toughness during the Gulf war, the Maastricht negotiations and the election campaign. He still has it in him to resume the role of a popular prime minister, possibly by design, but perhaps by accident. The government's management of the economy is so fumble-fingered that it might inadvertently ignite the spark that leads to an explosive boom and dishes Labour for a fifth time. That would turn Lady Thatcher's successor into a second Tory hero. The unfortunate little difficulties of September and October 1992 would be forgotten. We could worry about the consequent recession some years later.

Any prognostication, even the conventional one outlined above, is risky when what is actually taking place in the world of politics is so far outside the range of a decent fiction writer's invention. When a chancellor can stay in office after changing interest rates three times in a day and then insulting the president of the Bundesbank while trying to apologise to him, anything can happen. Mr Major could be turfed out quite suddenly, perhaps as a knock-on consequence of an eruption of ill-feeling at this week's Conservative conference in Brighton, or possibly at the hands of the backbenchers' 1922 committee, or maybe following a shamingly large rebels' vote (if there is one) when he brings the bill to ratify the Maastricht treaty back before the House of Commons.

The odds are, however, against any such nightmare coming true. The ability of Tory managers to anaesthetise those who show the slightest sign of revolt is well-known. There will be bile at this conference, to be sure – but will there be arsenic? Again, when parliament resumes, backbenchers will not want to barrack a prime minister who led their party to victory against such seemingly high odds so short a while ago, especially when they know they are unlikely to unite behind any conceivable successor. They might get Mr Michael Heseltine, or Mr Kenneth Clarke. Both are more solidly pro-Europe than Mr Major. The Maastricht vote is hard to call, but it would be in character for most of the so-called rebels to come to heel and march through the "yes" lobby on the whips' orders. If not, a quick vote of confidence could set the government on its feet again.

There will be bile at the Conservative conference, to be sure – but will there be arsenic?

I would be more certain of this line of argument, so reassuring for those who want to stay in office, were it not for the absence of an economic policy. Getting one in place must now be the priority. As the Clinton managers have it, on a poster on their office wall, the answer to all questions about what is important in the US election campaign is "the economy, stupid". The same applies to Mr Major's resurrection campaign. True, he did himself some good last Thursday. He intimated that he will face out the rebels within his party and fight to get the Maastricht bill through. He thus began to pick up the pieces of his policy for Europe. Sadly, that display of political courage had nothing to tell us about "the economy, stupid". By yesterday the hopes of last week had been submerged by the sinking pound.

This has been accompanied by a sinking feeling in the markets, and the country at large – a perception that the government does not know which economic policy to adopt and, worse, that when it does make up its mind it may be as wrong as ever. Should interest rates be slashed, or kept close to 9 per cent in what would probably be a vain attempt to prevent further devaluation? Would it make any difference, either way? Will public spending be controlled, or taxes increased, or neither, or both? What difference will any of these moves make to the growth rate? As always, economists differ on these points. It is the government's job to hire the best economists and look to their advice. The verdict of public opinion is that it is not doing either part of that job.

Mr Major has evidently been more concerned to protect himself from the political dangers inherent in reshuffling his chancellor than he is to restore confidence in the government's management of the economy. Anyway, it is not possible to place much faith in the promise of any particular minister. The prime minister's simple pronouncement that bearing down on inflation is still the government's policy is meaningless. It does not in itself answer any of the questions listed above. He, or his chancellor, must do better. For it is hard to recall a time when, according to what people are saying about it, the public has had less confidence in the government than it does today.

Suburban bell-wether rings political change

Floating voters in a pivotal blue-collar area near Detroit are abandoning George Bush this year, writes Martin Dickson

It is a balmy afternoon in Detroit, Michigan, just a month before the US presidential election. In the parking lot of the suburban Eastgate shopping mall Mr Sante Cervini, a local resident, is pouring scorn on Republican President George Bush.

"Would you want another 12 years of disaster?" the retired auto company technician asks. "I don't know Bill Clinton, but the young man can't do worse than this lot."

Mr Cervini is just one of 250m Americans, but he belongs to a group with great political significance – he is a floating voter in Macomb County, a swathe of suburbia to the north of Detroit which has become a political bellwether. Mr Cervini voted for the Republican Ronald Reagan in the 1980 and 1984 elections and Mr Bush in 1988. But this time he is backing the Democrats and Mr Clinton.

Opinion polls and random interviews in shopping malls indicate that many residents of Macomb are thinking like Mr Cervini. The bell-wether, in short, may be sounding Mr Bush's political demise.

That said, the electorate has been volatile this year and much could change between now and November 3. The populist Mr Ross Perot is back in the race, and there are three presidential candidates' television debates to be held.

Yet in Macomb, voting intentions seem to have been firming up over the past few weeks and may now be hard to shift.

The county's importance is twofold. First, it usually reflects the voting patterns of Michigan – one of several midwestern industrial states which are expected to prove the most crucial battlefield of this year's campaign. It is no coincidence that Mr Bush and Mr Clinton have each visited the state eight times already.

Second, Macomb is prime habitat for one of the most closely observed of American political species, the so-called "Reagan Democrats". The phrase describes those blue-collar and lower-middle-class white voters from traditional Democrat families who began deserting to Republican presidential candidates in the 1970s – around the time many were also moving up in the world, from homes in the inner cities to more affluent suburbs.

America's white suburbs – those leafy havens of neat lawns, Neighbourhood Watch and Little League baseball – are increasingly important in presidential campaigns. Between 1968 and 1988 the percentage of the ballot cast in such areas grew from 35.6 per cent to 48.3 per cent.

Detroit has been shaped by its dependence on car companies such as Chrysler

In the 1980s, the stream of defections from the Democratic party and its liberal candidates turned into a flood – hence the phrase "Reagan Democrats". Confusingly, however, the breed has generally remained loyal to the Democratic party in local, state and US congressional elections.

Macomb County, which began to be seen as a bellwether in the 1980s, mirrors these trends. While the Democratic party still dominates local politics, its presidential candidate has not carried the area since Hubert Humphrey in 1968. In 1960 Macomb gave one of the strongest suburban margins in the nation to Mr John Kennedy but in 1988 it cast 60 per cent of its vote for Mr Bush.

So what makes the Macomb voter tick? The county's inhabitants are overwhelmingly white (97 per cent), of modest means (average family income $40,000), of mixed European blue-collar white members. It was against this background – and economic expansion – that Mr Reagan and Mr Bush won votes in the area. Mr Reagan, in particular, was seen as a charismatic leader of modest origins who did not pander to minority groups.

Law and order and "welfare scroungers" – a code-word by suburban whites for unemployed blacks – are still emotive issues in Macomb. But this year they have been eclipsed by the poor state of the US economy. "People get politically excited on two issues – when you mess with their kids and their pocketbooks – and this is a pocketbook election," says Mr Leo Lalonde, chairman of the Macomb County Democratic party.

Detroit has particular reason for anxiety. Recession has hurt the auto industry badly and General Motors, the biggest of the Big Three, is in the throes of a huge factory closure programme. Macomb has not been hit directly by this, but the impending demise of a plant west of Detroit has made the community edgy.

These fears have been intensified by the free trade agreement with Mexico and Canada which President Bush negotiated last summer. The UAW claims this will encourage an exodus of motor industry jobs south of the border. Mr Clinton has now endorsed the pact, albeit with significant qualifications, which is bound to disappoint some Macomb voters.

While Mr Bush's main difficulty in Macomb is the state of the economy, he also has an image problem. At a time of hardship, his patrician background jars with many constituents, some of whom also criticise him for policy U-turns.

"Bush just doesn't seem to be focused," says 71-year-old Mrs Babetta Becker, a lifelong Republican who will vote for Clinton. "I don't like him," she says of the Democrat, "but we need a change."

Mr Clinton, then, seems to be picking up many floating voters in Macomb because he is *not* Mr Bush, rather than for any positive qualities of his own. It was Mr Perot who very successfully played the not-Bush role in the early summer, before he quit the presidential race. But having re-entered the contest last week, he now seems to have lost a lot of his credibility. "He's just a hot flash," says Mr Cervini.

The election may yet prove close, but one recent poll (taken before Mr Perot's re-entry) put Mr Clinton a solid 12 points ahead in Michigan as a whole, while a Democratic survey in Macomb put him 15 points in front there.

Whatever the result, many Reagan Democrats in Macomb are preparing to vote for Mr Clinton. But this does not necessarily mean they are coming home to the party for good, or that the political pendulum has begun a once-a-generation swing back to the left.

"The floating voters will stay floating voters," says Mr Carl Marlinga, Macomb's prosecuting attorney, an elected Democrat. "Reagan made them independent and I don't think Clinton will bring them back – unless he has a very good four years as president."

background and very conservative. Their overriding concerns have long been crime, jobs and property taxes.

Two other factors have shaped the area's politics. One is its high dependence, in common with the rest of Detroit, on the Big Three automobile companies, which have their headquarters in the city. Many residents are members of the United Auto Workers union.

The other factor is its proximity to the crime-ridden black ghettoes of Detroit's inner city.

So concerned was the Democratic party by the erosion of its base here in the mid-1980s that it commissioned a now-celebrated study which found Macomb inhabitants were virulently anti-black, and tended to view the progressive, pro-minority policies of the Democratic party as a betrayal of its

Bill Clinton seems to be winning over many 'Reagan Democrats' simply because he is not Mr Bush

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

With a bound we were free

From Mr M H Fisher.

Sir, Free to do what? All those who are rejoicing at our new-found "freedom" to set our own economic policies appear to suffer from a serious loss of memory. Some among them may, like me, be old enough to have travelled on the continent in the late 1950s. They may remember how prosperous this country seemed compared with France, Germany or northern Italy. Today it is Britain which is the poor neighbour, in spite of the huge windfall of North Sea oil. The social services are incomparably better in most members of the EC than they are here; in the core group, the roads are better as are the railways; industry is much more productive.

Between 1960 (a reasonable starting point since by then the physical damage suffered during the second world war had been largely repaired) and 1990 – that is before we entered the ERM – the pound lost nearly 90 per cent of its internal purchasing value.

We were free then. Will we use our new freedom to repeat our economic performance during the last 30 years over the coming 30?

M H Fisher,
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Major must break pattern of delay and clarify objective

From Mr Richard Jeffrey.

Sir, Unfortunately, the short history of Mr Major's occupancy of Number 10 and his earlier period in Number 11 show one common theme: delay. From the start, there was a failure to recognise the immense damage that 15 per cent base rates were doing to the economy and, in particular, to consumer and industrial confidence.

As a result, the easing in monetary policy was too little and too late. And, in the current situation, once again there has been the failure to seize the opportunity created. Once the UK had pulled out of the exchange rate mechanism, interest rates should have been reduced far more quickly.

The opportunity was there. Unfortunately, by delaying the decision, the government has all but lost the chance.

Meanwhile, the talk is of tightening up fiscal policy. Here again there seems to be confusion. Forgiving Mr Major for some pre-election slippage, the main problems with government finances are the problems of recession – slow growing tax receipts and fast rising benefit payments.

To suggest that the cure for the yawning public sector borrowing requirement will be found in cracking down on public sector current spending or even in raising taxes seems to be missing the point. Rather than helping solve the problem, both measures could help prolong the recession and thereby exacerbate the mismatch between government expenditure and revenue.

So what is the solution to the current dilemma? First, it must be emphasised that the confidence of the markets will not be gained until government policy is seen to have a clear objective. That objective must be to re-establish growth in the economy. Anything else must be treated as a sideshow for the present – even inflation which, all the evidence suggests, is negligible in the private sector.

Second, the Treasury must rid itself of its fixation with the currency. Whether it likes it or not, history shows that it is virtually impossible for our monetary authorities to control movements in the exchange rate.

It also shows that when policy is so focused, it is the real economy that suffers (we only have to look at the experience since the 1987 general election to confirm this).

So the solution? The government must act now to reduce interest rates. Not only will this help restore confidence in the economy, it will also impress on the markets that the authorities will not be held to a growth ransom by the currency.

Ironically, the long-term impact of rate cuts might even help the government to achieve some of its other objectives: faster economic growth would help close the public sector budget deficit and would also be reflected in substantial productivity gains which would help hold down inflation. And, in the end, by making the UK economy a more viable longer-term investment prospect, lower interest rates might actually help stimulate inflows of investment capital, helping to bolster the pound.

Certainly, with the pound collapsing in anticipation of an easing in policy, it seems a nonsense to delay a rate cut on the argument that it would unsettle the currency markets.

The prime minister has created the opportunity; he must now use it, even if it requires a sacrifice of sterling near term.

Richard Jeffrey,
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UK government sensible to change means to achieve objectives

From Mr Patrick Evershed.

Sir, I do not agree with your editorial ("Mr Major must choose", October 1). The government's economic policy has not collapsed. It is intact and working significantly better than before.

Your editorial has confused ends and means. The government's policy has not changed, but the way it is setting out to achieve that policy has changed. Its policy is to increase the rate of economic growth in the UK in order to improve the welfare of the population. In order to achieve this objective it has been bringing down the rate of inflation. This needs to be done because economic growth can only be sustained if the return on capital employed is high in relation to interest rates.

Nominal interest rates can only be kept down for a sustained period of time in an economy which has a low rate of inflation. The government thought Britain had a better chance of maintaining a low rate of inflation if the country were inside the ERM. Our membership of the ERM was therefore a means to an end, and not an end in itself.

As things turned out, our membership of the ERM led to higher interest rates, a depressed economy, collapsing profit margins and, as a consequence, a poor return on capital employed. The object of the exercise, a higher rate of investment and a faster rate of economic growth, was not being achieved.

When a government finds that its means are not enabling it to achieve its objectives it is eminently sensible for it to change the means.

Fortunately, the chancellor, Norman Lamont, discovered in the nick of time that it was necessary to change course rapidly in order for the government to be able to achieve its policy ends. He deserves our support for his bold move.

Some commentators, however, have suggested that a falling currency leads to a higher rate of inflation. This is not so. The rate of money growth determines the rate of inflation. Here the government has an exemplary record. There is, therefore, no need to be worried about inflation. It will continue to fall, interest rates will also continue to fall, the return on capital in relation to interest rates will come right, and our rate of economic growth and the welfare of the nation will improve substantially in the medium term.

Norman Lamont is the best man for the job.

Patrick Evershed,
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WHO studying natural drugs

From Ms Clara C Meijers.

Sir, Marjorie Shaffer's article about the pharmaceutical industry turning to nature as a source of new drugs (Technology, September 29) made no mention of the World Health Organisation also running a project on the study of non-western healing methods – a study inspired by the third world itself.

Last year on vacation in Bhutan I visited a hospital co-sponsored by the WHO and by an Italian charitable organisation – a small international research team headed by an Italian doctor. It certainly is not amazing that this country was selected for such a scheme. Bhutan used to be called "the country of the medicinal herbs".

A native pharmaceutical chemist told us that there were over 100 Bhutanese herbs to be studied. In this small country three traditional Asiatic healing methods are further practised: Chinese, Indian and Tibetan medicine.

Who will be the first to imitate Lisa Conte's Californian example and try to commercialise the Bhutanese findings?

Clara C Meijers,
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Germans dislike V2 celebration

From F A Wolf.

Sir, As both a citizen and a member of a reputable German company, I would like you to know that the majority of Germans were left speechless by the intention of the German aerospace industry federation to commemorate the 50th anniversary of the first V2 rocket launching from Peenemünde.

In my own way, I have sought to remind senior executives and appropriate authorities how totally wrong, even abominable, such a commemoration must be both to Germans and British citizens, who after all have set out to once and for all create a genuine spirit of a united Europe.

Yet, you are probably aware that many Germans are under the impression that many British citizens have become suspicious and have developed rather reserved opinions about the Germans following the reunification of this country.

It was by no means wise for Britain to erect a monument to Sir Arthur Harris, who was responsible for the bombing of Dresden in February 1945.

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OBSERVER

Köhler leaves Kohl

■ Embattled Chancellor Helmut Kohl is set to lose another of his closest advisers to the private sector.

Horst Köhler, state secretary in the Finance Ministry and Kohl's chief negotiator for everything from European monetary union to the international aid programme for Russia, is planning to quit next year to become president of Germany's association of savings banks.

It seems an extraordinary transformation for a man who has been so close to the inner wheels of power and who is still only 49. Yet his closest friends and associates insist that his decision is being taken for entirely personal reasons.

Köhler is notorious for driving himself beyond the limits of reasonable hard work, turning in regular 16-hour days at the Finance Ministry in Bonn when he is not on the road to international meetings.

He is one of that inner school of German bureaucrats who has acute political antennae, and occupies the grey area between pure civil service and pure politics. He also combines a clear intellect with a rapid grasp of issues, and a readiness to react emotionally as well – a combination which has endeared him to the chancellor.

Since the departure of Horst Teltschik as Kohl's foreign policy adviser, also to the private sector, Köhler has been an ever-more important confidant of the chancellor.

He was the key German negotiator on the economic and monetary aspects of the Maastricht treaty – and its advocate to an increasingly sceptical German public – alongside Hans Tietmeyer, his predecessor, who is now at the Bundesbank.

One of the ironies of the appointment is that the present savings banks' boss, Helmut Geiger, has always been notably sceptical about the advantages of the Maastricht treaty for Germany.

To that extent, Kohl will now have a crucial ally in the private sector. But he will have lost someone from the Bonn inner circle he can ill afford to see go.

Olympic curse

■ Has Lord Hanson, the predatory peer now stalking Ranks Hovis McDougall, spotted the Olympic connection?

Observer thanks David Lang, Henderson Crosthwaite's veteran food analyst, for making the connections others ignore. It seems that every year in recent memory when there has been an Olympic games, there has also been a takeover of one of the grand old names of the British food industry.

The 1980 Moscow Olympics coincided with Dalgety swallowing Spillers. Unilever gobbled up Brooke Bond the same year as the Los Angeles Olympics and Nestlé digested Rowntree Mackintosh after the Seoul Olympics. This year it was Barcelona's turn and RHM is in the line of fire.

On past Olympic form it would be surprising if RHM remains independent for long. Indeed, Lang and his team already have their eyes on 1996 and Atlanta, home of Coca-Cola. Could this be the year of the really big one?

Cadbury Schweppes, or heaven forbid, Coke itself...

Checkout Charlie

■ The most potent symbol of communism has fallen to the epitome of capitalism. On Friday last week Robert Kimmit, the American ambassador to Germany, laid the foundation stone for an American Business Center at Berlin's former Checkpoint Charlie.

A $600m shopping and office centre will rise over the border crossing where US and Soviet tanks confronted each other at the height of the cold war. It is now a barren square, the labyrinthine frontier installations having been torn down after Germany and Berlin were unified in 1990. A Checkpoint Charlie monument will be built nearby.

Where once would-be defectors vainly tried to dash through the most famous gap in the Iron Curtain, today's travellers will be going no further than the nearest supermarket aisle.

"I haven't even trained for a standing ovation"

Interlude

■ Picture the scene. A party of wealthy corporate sponsors was invited to pop into the Royal Opera House in Covent Garden last week to "take a sniff at work in progress".

But the event lost some of its spontaneity when the orchestra, rehearsing Porgy and Bess, downed tools.

An official plays down the incident saying it was all a misunderstanding. The visit had been cleared with the orchestra representative so long ago that "it had slipped a few minds". After the "temporary communications blip" had been sorted out the rehearsal went ahead.

However, at least one hard-nosed City type present was unimpressed and says that the event is yet another sign that the Opera House "has failed to come to terms with basic management issues and is squandering its money".

A job well done

■ How do you motivate people doing dirty jobs in anti-social hours? That, according to the Local Government Chronicle, was the challenge facing Mervyn Montacute when he arrived from New Zealand to become managing director of Westminster City Council.

His particular problem was the council's "sex department", part of the section which licenses sex shops and places of entertainment. Its intrepid squad travels round Soho "deliberately sampling what is on offer so they can give evidence in court", according to Montacute.

Since New Zealand is at the forefront of introducing private sector disciplines into its public sector, Montacute knew what he must do to galvanise his front-line staff.

"We've put them all on performance-related pay; it is working very well."

United Kingdom

■ In these days of mutual Euro-antagonism, it is useful to contemplate the beams here rather than the motes there. Thus: the Welsh pray on their knees and their neighbours; the Scots keep the sabbath and everything else they can lay their hands on; the Irish don't know what they believe but they are prepared to die for it; and the English are a race of self-made men, thus relieving the Almighty of a dreadful responsibility.

FINANCIAL TIMES
Tuesday October 6 1992

The ravaged remains of the suburban Amsterdam apartment complex hours after being struck by the El Al jumbo jet

More than 250 feared dead in Amsterdam air freighter crash

By Ronald van de Krol in Amsterdam

RESCUE WORKERS yesterday held out little hope of finding survivors among more than 250 people still missing after an El Al cargo aircraft crashed into two Amsterdam apartment blocks on Sunday.

Eighty flats with 239 registered residents were reduced to smouldering rubble after the Israeli Boeing 747 ploughed into two connected apartment buildings shortly after 6.30pm.

"Rough estimates lead us to fear that more than 250 are missing. Unfortunately, there is little hope that they are still alive," Mr Ed van Thijn, the mayor of Amsterdam, told a special meeting of the city council. The three crew and one woman passenger on board the aircraft also died.

Page 2
■ Insurers may boost rates
■ Mechanical problems suspected

Six bodies have been recovered and seven others located in the debris. The search operation is expected to take three to four days because of the perilous condition of the buildings.

In Brussels the European Commission said it was granting Ecu1m (£780,000) in emergency aid to help the families of the victims of the catastrophe.

A mechanical or structural problem appears to have been the most likely cause of the crash, but the possibility of sabotage has not been entirely ruled out.

The Boeing four-engine 747 freighter crashed into two 10-storey blocks of flats as it tried to return to Schiphol airport outside Amsterdam 13 minutes after take-off. The aircraft, with a cargo load of perfume, electronic equipment, textiles and machinery and carrying about 70 tonnes of fuel, lost its two starboard engines soon after take-off when both caught fire.

Dutch civil aviation officials found the engines, which are expected to help pinpoint the cause of the accident, in a lake about nine miles from the crash site. Mr van Thijn said that a pond behind the apartments was being drained to search for the aircraft's flight recorder.

Boeing, the airframe manufacturer, and Pratt & Whitney, the engine maker, have both sent experts to Amsterdam to help Dutch officials and two teams of investigators from Israel.

The engine trouble became apparent when the aircraft was above the city of Almere, east of Amsterdam, near Lake Ijssel. The Dutch civil aviation authority said the decision to return to Schiphol was made by the Israeli captain, disputing suggestions that the crew could have tried to land in the lake or on farmland.

The civil aviation authority said that the pilot chose to head for runway 27 – closest to his flight path and in his direct line of vision – instead of runway 06, as advised by Schiphol. The airport's preferred runway would have taken the aircraft over a less densely-populated area but the captain's choice takes precedence in emergency landings.

The crash will leave insurers with multi-million dollar insurance claims.

THE LEX COLUMN

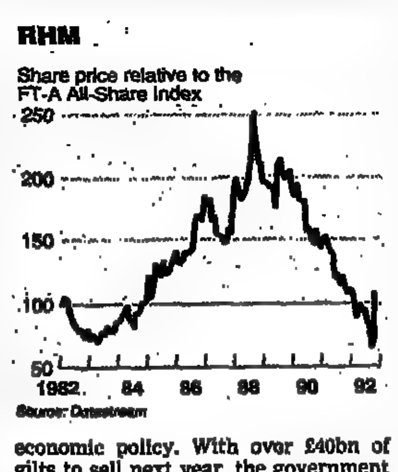
RHM in the toaster

Hanson's buccaneering spirit is evidently not entirely dead. Whatever its stated intentions for RHM, it is difficult to square yesterday's £780m bid with the reformed Hanson that is supposedly concentrating on organic growth in its established businesses. RHM looks rather more like a victim of Hanson's old opportunistic style: an undervalued company with a sense of drift. Sales last year were lower than in 1987, earnings did not quite match those of 1988. Moreover, Hanson has chosen to swoop when there is at last a faint prospect of higher bread prices.

In RHM's record, there is hardly a crumb of comfort. Its management has manifestly failed to reward the loyalty of shareholders at the time of the 465p Goodman Fielder Wattie bid in 1988. There has undoubtedly been rationalisation, but acquisition accounting would create scope for Hanson to take out more costs. By going for margin rather than market share it could turn RHM's milling and baking division into a cash generative business similar to tobacco. Admittedly, the supermarkets have a large say in the bread price, but the benefits of reduced capacity in the baking industry were not lost on ABF yesterday. It was the only FT-SE stock to rise.

That still leaves the question of whether Hanson is offering a fair price. On consensus expectations for this year it amounts to a prospective multiple of less than 12. Hanson could conceivably recoup the bulk of its outlay through disposals of the non-bakery business. So shareholders might be tempted to hold out for a little more. But it is not clear where a rival bidder would come from. Nor is victory for Hanson a matter of strategic necessity. RHM is a good deal smaller than some of the other victims it has digested. Though the acquisition would reduce the burden of unrelieved ACT, it would add less than 10 per cent to pre-tax profits.

FT-SE Index: 2446.3 (-103.4)



UK markets

With equity markets falling worldwide, it is hardly surprising that the UK is suffering too. Disappointment that the Bundesbank did not cut rates on Friday is depressing Wall Street as well as Europe. And there is an additional fear in the US that interest rate cuts alone may not be enough to get the economy moving. Strong deflationary forces are clearly still at work everywhere.

But London's 103-point fall also reflects the nerve-wracking vacuum in economic policy. With over £40bn of gilts to sell next year, the government needs the help of foreign investors. They might be reassured by a strong fiscal stance which underpinned the gilt market and, by keeping gilt yields down, also helped support equities. However, the government is poorly placed to give such a lead. Lower spending means either a bruising public sector pay round or the axing of large and politically sensitive capital spending programmes. And Mr Major would hardly have the gall to put up income tax after the election campaign.

Gilt yields thus appear heading back towards 10 per cent, putting further pressure on equities. And despite devaluation, it is difficult to see where strong economic growth will come from. Consumer sectors are constrained by high interest rates, and any spurt in consumer spending would see the balance of payments deteriorate quickly. Weak markets abroad mean exporters will have to take market share from others to boost sales. The inflation position is worsening. When sterling was at DM2.50, retail price rises might have been expected to reach 4.5 per cent next year. A further 10 per cent devaluation from that point could see inflation close to 6 per cent notwithstanding the slack in the domestic economy. The equity market needs better news from overseas before it can discount a UK recovery.

Currencies

It was not just sterling which was causing concern in the currency markets yesterday. The weakest members of the ERM – the punt, peseta and escudo · required the prop of intervention. Worse still, the French franc weakened sharply against the D-Mark for the first time since its narrow escape from the speculators last month.

The immediate cause may be disappointment that the Bundesbank did not cut interest rates on Friday, coupled with expectations that the US Federal Reserve might ease today, thus weakening the dollar. Yet the punt, peseta and escudo are increasingly tipped for devaluation against the D-Mark on calculations of purchasing power parity. The methodology may be open to question, but renewed focus on such measures underlines how far faith in monetary union – the glue which held the ERM together – has dissolved. In this context, another ¼ point off the Lombard rate would hardly be the whole solution.

That said, governments with pretentions towards membership of the ERM core must now be praying for an unambiguous signal that German rates will fall. The weak franc shows it takes more than a good inflation record to keep pace with the D-Mark.

Eurotunnel

Given a later opening date, lower short-term revenue projections, and the formal admission that shareholders will almost certainly have to stump up more money, it is perhaps surprising that Eurotunnel's share price fell by just 15 per cent yesterday. The most dispiriting feature of the company's interim report, though, is the continued level of uncertainty. True, the long-running dispute with TML is no longer the main issue. Differences between the two sides have narrowed appreciably.If anything, the balance of advantage has swung Eurotunnel's way.

On the other hand, the company can still provide no assurance as to when the first dividend will be paid, and there is no new estimate for the peak financing requirement and when it will be reached.

Market guesses range from £0.5bn to £1bn more than existing funds. What is clear is that the effect of compound interest on borrowings needed to replace lost cash flow in the early stages will be painful. The only consolation for original investors is that the project is closer to completion: as the timing of the first payout recedes they can at least look forward to utilising their perks.

Bundesbank rejects changes in ERM

By David Waller in Frankfurt

THE BUNDESBANK yesterday ruled out modification of the European Monetary System despite the recent turmoil in the currency markets.

Mr Hans Tietmeyer, vice-president of the Bundesbank, in a speech due to be delivered in Gravenbruch, near Frankfurt, argued that the anchor of the EMS must remain a strong D-Mark, and any attempt to soften the EMS parameters or to relax the commitment to stability at the heart of the system would be counter-productive. The text of the speech was released to the press earlier yesterday.

He added that "recent events in the EMS have done some good. They have drawn aside a veil and revealed the realities of the situation."

Mr Tietmeyer's remarks appeared to be directed at EC members, principally Britain, who have been calling for reform of the EMS. Although Britain has been the most direct in its calls for reform, Mr John Major, the prime minister, under pressure from other EC countries, has indicated that the UK will delay pressing for EMS changes.

Mr Tietmeyer said industrial countries were suffering the economic consequences of expansionary monetary policy in the second half of the 1980s. With this in mind, it would be irresponsible for Germany to abandon its anti-inflation policies now, he argued.

Mr Tietmeyer, who takes over from Mr Helmut Schlesinger as the president of the German central bank in the summer of next year, rebutted suggestions that the currency market turbulence was the Bundesbank's fault.

"Some people talk about the collapse of the EMS, and in parts of the foreign press the blame is laid on 'arrogant' or at least 'egotistical' Germans," he said, "especially on the allegedly one-sided policies of the Bundesbank."

He argued that the real reason for the turbulence of recent weeks was that exchange rate structures had become unrealistic because of economic divergencies. This had been recognised by the serious foreign press, he said.

The heavy burden of of monetary policy in Germany had contributed to the tensions within the EMS, but the deciding factor was economic misalignment. It would have been better for the system and its credibility if the rules permitting realignment had been brought to bear earlier.

He said it would take some time for the emotions stirred up recently to subside, especially since the emotional disturbance reflected "disappointed illusions". It was, however, in the interest of all parties to return to discussions in a spirit of mutual confidence as soon as possible.

CHANCELLOR Helmut Kohl yesterday made clear he sees ratification of the Maastricht treaty as an essential first step to open the way for rapid enlargement of the European Community.

But he denied any intention to exclude or marginalise any EC state, rejected the idea of a two-speed or three-speed Europe - but insisted that the European Community could not move at the pace of its "slowest ship".

He was speaking to a gathering of business leaders outside Bonn, which passed a resolution calling for speedy ratification of Maastricht. The businessmen called for "improvements".

Relaunch proposed, Page 3

Air France free to buy Sabena stake

By Andrew Hill in Brussels and Paul Betts in London

THE European Commission yesterday cleared Air France, the French state airline, to take a 37.6 per cent stake in Sabena, its Belgian counterpart, provided that rival carriers are given a chance to compete on certain monopoly or near-monopoly routes.

The decision brings to an ends almost a year of regulatory and political delays for the two companies, which announced they were ready to do a deal last September and signed an accord in April.

It also clears the way for the two airlines to forge a cross-border partnership to strengthen their competitive position, both in Europe and the increasingly global world airline market.

Air France said last night it was satisfied with the compromise which it described as "a balanced agreement".

The EC's merger control task force was able to agree terms for approval of the deal within a month under the two-year-old merger regulation. But that followed many weeks of tough negotiation about the legal basis for examining the deal and the anti-trust pledges made by the airlines and the Belgian and French governments.

"There were relatively few competition problems, but each one required a rather painful solution," said one Commission competition official yesterday.

The pledges made by Air France, Sabena and the national governments include:

- One of the two companies will have to withdraw from the Brussels-Nice and Brussels-Lyons routes to allow at least one rival airline into the market
- Rival EC carriers will be allowed to set up in competition with the Air France-Sabena shuttle service planned between Brussels and Paris
- A certain proportion of take-off and landing slots will be kept available for rival companies at Brussels airport
- Air France and Sabena will have to abandon certain flights to Africa, if a competing airline is prepared to take on the routes.

The Commission said it was "very likely" that rival airlines would take up the available slots and routes, although officials refused to say whether certain carriers had already expressed an interest. "Our job isn't to force people to compete, it's to open the market to competition to prevent companies having a monopoly," said one.

The EC has been worried by the growing trend of consolidation in the European airline industry, which risks undermining the competition the Commission is trying to promote through European "open skies".

Air France was forced by the Commission last year to sell a 35 per cent stake in the French regional carrier TAT after it took over UTA, the French long distance carrier, and Air Inter, the French domestic airline.

British Airways agreed last month to buy a 49 per cent stake in TAT to strengthen its European network and challenge Air France on its home ground.

Sabena said yesterday it was pleased with the Air France deal, which would help put the loss-making Belgian airline back on a firm financial footing. Under the terms of the deal, Air France and its Belgian financial partners have injected BFr6bn ($205m) of fresh capital into Sabena in exchange for the stake.

World Weather

		°C	°F
Ajaccio	R	16	61
Algiers	F	23	73
Amsterdam	R	10	50
Athens		-	-
Bahrain	S	32	90
Bangkok	R	29	84
Barcelona	F	20	68
Beijing	S	19	66
Beirut	S	27	81
Belfast	F	13	55
Belgrade	C	25	77
Berlin	C	9	48
Biarritz	R	14	57
Bombay	F	30	86
Bordeaux	C	14	57
Boulogne	C	12	54
Brussels	C	8	46
Budapest	S	21	70
Buenos Aires	F	18	65
Cairo	S	33	91
Cape Town	S	29	84
Caracas	F	[illegible]	82
Casablanca †	C	22	72
Chicago †	S	8	46
Cologne	C	11	52
Copenhagen	C	11	52
Corfu		-	-
Dallas †	S	14	57
Dublin	C	12	54
Dubrovnik		-	-
Edinburgh	C	11	52
Faro	S	23	73
Florence	F	18	64
Frankfurt	F	13	55
Geneva	F	14	57
Gibraltar	S	22	72
Glasgow	F	12	54
Helsinki	S	10	50
Hong Kong	F	27	81
Innsbruck	F	13	55
Inverness	S	13	55
Islamabad	F	30	86
Istanbul	S	25	77
Jakarta	R	33	91
Johannesburg	C	19	66
Lisbon	S	19	66
London	C	13	55
Los Angeles †	S	17	63
Luxembourg	C	10	50
Madeira	C	22	72
Madrid	F	18	64
Majorca	F	20	68
Malaga	S	25	77
Malta		-	-
Manila	C	32	90
Melbourne	C	14	57
Mexico City	C	21	69
Miami †	F	25	77
Milan	F	18	64
Montreal †	S	2	36
Moscow	C	7	45
Munich	F	18	64
Nairobi	C	24	75
Naples	R	24	75
Nassau	C	31	87
New Delhi	S	31	88
New York †	S	7	45
Nice	R	14	57
Nicosia	S	26	79
Oporto	S	18	64
Oslo	C	9	48
Paris	C	10	50
Prague	C	17	63
Reykjavik	C	8	46
Rhodes		-	-
Rio d'Janeiro	S	32	90
Rome	F	23	73
Salzburg	F	20	68
S'Francisco †	S	13	55
Seoul	S	18	64
Singapore	F	28	82
Stockholm	C	10	50
Strasbourg	C	14	57
Sydney	C	21	70
Taipei	F	32	90
Tangier	F	23	73
Tel Aviv	S	29	84
Tenerife	F	25	77
Tokyo	R	13	55
Toronto †	S	1	34
Tunis	S	26	70
Valencia	F	22	72
Venice	R	18	64
Vienna	C	18	64
Warsaw	C	10	50
Washington †	S	10	50
Zurich	C	12	54

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg Fog H · Hail
R – Rain S · Sunny
Sl – Sleet Sn – Snow
T – Thunder

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INSIDE

Investors angry at move to cut Stet debt

Stet, the Italian public-sector telecommunications group contolled by the Iri state holding company, ran into fierce investor criticism yesterday of its L700bn ($565m) plan to buy the Finsiel software group. Analysts and bankers dismissed the purchase as little more than a book-keeping exercise to reduce Iri's indebtedness at the expense of Stet's minority shareholders. Page 23

Smelter brings prosperity

Mr Jean-Marc Dion, mayor of Sept-Iles, remembers when his city, on the far north shore of the St Lawrence River, was dying. He set off to Europe to drum up new business to keep their city alive. Today Sept-Iles is the location of the Alouette aluminium smelter, which is destined to become one of the world's biggest. Page 28

Elusive reward for Matsushita

Scenes from popular US movies such as ET (left) and Back to the Future have begun to enliven advertisements in Japan for electronic goods made by Matsushita Electric Industrial, one of the world's biggest consumer electronics companies. Matsushita owns rights to the images following its acquisition of MCA. Yet Matsushita's plunge into US entertainment does not appear to be yielding much. Page 22

Showdown at Austrian bank

A simmering row over the future of GiroCredit Bank, Austria's third-largest bank, has exploded into public view, with Bank Austria, Giro's largest shareholder, declaring publicly that it opposes Giro management's expansion strategy. Page 23

Nordbanken losses grow

Nordbanken, Sweden's state-owned bank, announced yesterday financial losses totalling SKr8.4bn ($1.5bn) for the first eight months of the year. Page 23

Stora moves into the red

Stora, Europe's largest pulp and paper group, suffered a SKr383m ($70m) loss in the second four months of the year. This contrasts with a SKr860m profit it made for the same period of 1991. Page 23

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Falls**			
Porsche	505	+	15	Axa	669	-	45
Falls				Bongrain	2860	-	240
BMW	453	-	22	Canal +	1000	-	46
Continental	190	-	17	Elf Sanofi	975	-	54
Daimler-Benz	533	-	29	Promodes	515	-	43
Siemens	553.4	-	19.1	Taittinger	2005	-	115
Volkswagen	283.2	-	15.8	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Nippon Piston	486	+	36
Marriott	18¾	+	1⅛	Nok	599	+	94
Falls				Taiyo Sanso	620	+	45
Disney	33⅞	-	1	**Falls**			
General Electric	74¼	-	1½	Crown	750	-	70
Merck	41¾	-	1¼	Kao Oil	481	-	49
Philip Morris	81⅞	-	2	Mitsui Wharf	820	-	60
USAir	11¼	-	⅝				

New York prices at 12.30.

LONDON (Pence)							
Rises				Firth (GM)	8	-	3
Lee (Arthur)	91	+	5	GUS A	1458	-	72
Proteus Intl	413	+	28	Grampian Hldgs	107	-	8
Ramco Oil	88	+	15	Greenalls	350	-	21
RHM	241	+	66	Highland Dist	191	-	27
Siebal (Wm)	98	+	25	Ibstock Johnsen	47	-	4
Stylo	104	+	14	Kingfisher	471	-	29
Falls				MEPC	264	-	13
Aegis	17	-	5	Marshalls	53	-	6
Assoc Br Cons	38	-	4	NatWest Bank	329	-	28
BET	87	-	8	RMC	391	-	31
Brit Airways	278	-	13	Whitbread A	399	-	23
Euro Disney	760	-	80				
Eurotunnel Uts	358	-	62				

Eurotunnel shares hit by delay warning

Shareholders may be asked for extra funds as opening date is put back, reports Andrew Taylor

SHARES in Eurotunnel yesterday plunged 15 per cent after the group warned that the opening of the Channel tunnel would be further delayed and that shareholders might be called upon to put up more cash.

The tunnel is not expected to open until December next year at the earliest – six months later than originally planned. Even then the group is unlikely to have enough locomotives and rolling stock to run a full service until next autumn.

Eurotunnel's share price fell 82p to 358p following the disclosure of more delays in a letter to shareholders accompanying the group's interim results.

Sir Alastair Morton, Eurotunnel chief executive, said the group had not been able to establish a final opening date for the tunnel as contractors had not agreed a settlement over their long-running claim for extra payments.

"The tunnel could open either side of Christmas next year but at the moment we are working towards an opening date of December 15, 1993," he said.

No extra funds would be needed until after the tunnel opened when cashflow problems were likely to arise because of late opening and slow delivery of trains, he added.

"Most current projections show that we shall have to seek further funds from various sources, including our shareholders, in 1994 and 1995," said Sir Alastair.

Eurotunnel is already in technical breach of its loan covenants and will need to seek a further waiver from banks at the end of next month to enable it to continue to draw down funds.

"By then the banks will have been able to study in detail our latest cost and revenue projections," said Sir Alastair.

The banks are particularly concerned that they should not be called on to provide any increase in the loan facilities available to the company.

Independent forecasts published yesterday by Eurotunnel revealed that revenues in 1994, the first full year of operation, are expected to be almost £180m ($305m) less than had been forcast 10 months ago by the same consultants.

It was impossible to say how much additional finance, if any, would be required and how this might be raised, said Sir Alastair. Shareholders, however, would be very lucky if they received a dividend payment before the end of the century.

The dispute with contractors over the cost of fitting out the rail tunnels has yet to be resolved although the gap between the two sides is now less than £130m in 1985 prices, according to Sir Alastair.

He said a settlement was almost reached in mid-August when Eurotunnel was understood to have offered £1.2bn of which about £200m was expected to be in some form of equity including a converible loan stock. Contractors, however, were concerned about how the share element was to be valued.

Sir Alastair said contractors could pursue legal claims against Eurotunnel, which could take years to resolve, or accept the group's "final offer". The cost of the project has risen since 1987 from £4.8bn to more than £8bn.

Lex, Page 20; Market, Page 29

Renault expects structural overhaul at Volvo

By Kevin Done, Motor Industry Correspondent

VOLVO, the Swedish car and commercial vehicle maker, must carry out "a profound restructuring", Mr Louis Schweitzer, chairman and chief executive of Renault, its French partner, said yesterday.

Mr Schweitzer said the restructuring of Volvo, which suffered losses in its car and commercial vehicle operations in the first half of the year, would be "painful but necessary."

It is understood that Renault expects Volvo to be forced to take action to reduce its present overcapacity, including the possible closure of one or even both its smaller Swedish assembly plants at Kalmar and Uddevalla.

The new Renault chairman, who took over from Mr Raymond Levy in the summer, voiced strong support for the alliance. He had "no doubt of the capacity of Volvo to carry out" the restructuring.

He said that the alliance, in which the two groups presently hold substantial minority cross-shareholdings in each other, was "irrevocable": "Renault has no doubts about the benefits of our alliance. There is every reason for both of us to be tightening our relationship."

The alliance would be deepened on the basis of maintaining "two distinct brand names and identities," said Mr Schweitzer.

Renault, which increased its pre-tax profits fivefold in the first half of the year to FFr5.44bn ($1.14bn) from FFr963m in the same period a year ago, had "prospects for satisfactory profits for the full year", he said, "even taking into consideration a considerably more difficult second half."

He warned that there were as yet "no signs of recovery" in many European markets such as Germany, the UK, France, the Netherlands and Switzerland. At the same time "sharp trend reversals" had been seen recently in Italy and Spain, which had been previously the two chief growth markets in Europe in 1992.

Renault had improved its productivity by some 50 per cent between 1985 and 1991, he said. The group's debt no longer constituted a "major handicap".

Renault, which has emerged as the fastest-growing volume car maker in Europe this year, yesterday launched its new Twingo mini car range as a replacement for its Renault 4 small car.

Yesterday was unsettled, but not a hurricane, writes Peter Martin

Markets blow hot and cold

Strong winds in October are a worrying omen for stock market investors. They remember the gales of October 1987, which caused widespread damage across northern Europe – just as stock markets around the world began a crash from which in real terms most of them have still not recovered.

London and Frankfurt, at least, were again seeing seasonally breezy weather yesterday. And stock markets were again falling: down 4.3 per cent in Switzerland; 4.3 per cent in France; 3.6 per cent in Germany; 4 per cent in the UK; and 1.8 per cent in the US.

As in 1987, the damage was not confined to any region of the world. Markets such as South Africa and Brazil dropped sharply too. And gloom was again proving proving contagious: the European weakness helped contribute to Wall Street's morning slide, which in turn helped to worsen the mood during the European markets' closing hours.

Still, just as a few wind-strewn leaves don't amount to a hurricane, so yesterday's declines don't necessarily indicate a stock market crash. Since 1987, the markets have learned to take such bumps in their stride: a mini-crash in October 1990 was reversed promptly enough to leave little trace in the monthly averages. And, in the US at least, some of the market practices which arguably worsened the 1987 crash have been altered by "circuit-breakers" which slow down the self-reinforcing downwards spiral of equity and futures markets.

For some markets, this was nonetheless the worst one-day drop since 1987. And for global equity markets as a whole it was one of those synchronised downwards shift in valuation that only happen every couple of years.

What lies behind this abrupt collective loss of enthusiasm for shares? Explanations range from the trivial to the profound:

● **The calendar.** Autumn is the last plausible opportunity for stock-market analysts to cut their perennially over-optimistic estimates of calendar-year corporate profits. It also coincides with the government budget season in many countries that sometimes leads to public musings over higher taxes. Current examples: Germany, Italy, Britain.

● **Currency turmoil.** The wide gap between German and US interest rates hit currency markets a week or two ago, says Mr Paul Harrison of Salomon Brothers in London. Now it has affected the equity markets too. "Each country's stock market has its own reason for falling," says Mr Harrison, "but they are linked by the lack of international co-operation on interest-rate policy." In some countries – such as the UK, France, Italy and Ireland – potential or actual currency weakness had a direct impact on shares yesterday. In others, the impact was more diffuse – but still negative.

● **The German economy.** A dire outlook for the German economy is starting to be reflected in earnings forecasts for individual German companies – starting with a general downgrading of Volkswagen a few weeks ago and spreading across the whole of the corporate sector. Nikko Securities, for example, said in January that it expected German earnings to grow 8 per cent this year; its forecast is now for a 5 per cent decline.

Blue-chip German companies were among the worst of yesterday's losers: Volkswagen and Mannesmann both fell 6 per cent, for example. When Germany sneezes, other economies catch cold; so analysts elsewhere are cutting their earnings estimates on the assumption that companies in other countries will suffer from a lack of German orders.

● **Global portfolio shifts.** The people who advise how US institutional investment portfolios should be allocated between shares, bonds and cash have made a switch away from equities in recent weeks. Yesterday, for example, First Boston's investment strategist Mr Rama Krishna recommended that investors cut the proportion of shares in their portfolios from 65 per cent to 40 per cent. Other asset-allocators have been making similar recommendations.

European bourses have been particular victims of a different sort of portfolio shift: the end of Europhoria. International investors have been disproportionately heavily invested in European equities since 1985, says Mr Nick Stevenson of Warburg Securities. Now, with the single market and the German reunification stories looking stale, "some of the global funds are going to start rotating out of continental Europe", he says.

There is one other possible cause for yesterday's market slide: a general shift towards pessimism, as investors start to think that there is some possibility, however slight, of a more general economic collapse. Certainly, the turmoil of the past few weeks has helped to create a sense of markets swayed by global forces beyond governments' control. But yesterday's selling was neither heavy nor, in general, panicky; trading volumes in London, for example, were well below the high levels seen in the upswing that immediately followed the sterling devaluation. As long as that pattern holds, the comparison with 1987 will remain an academic one.

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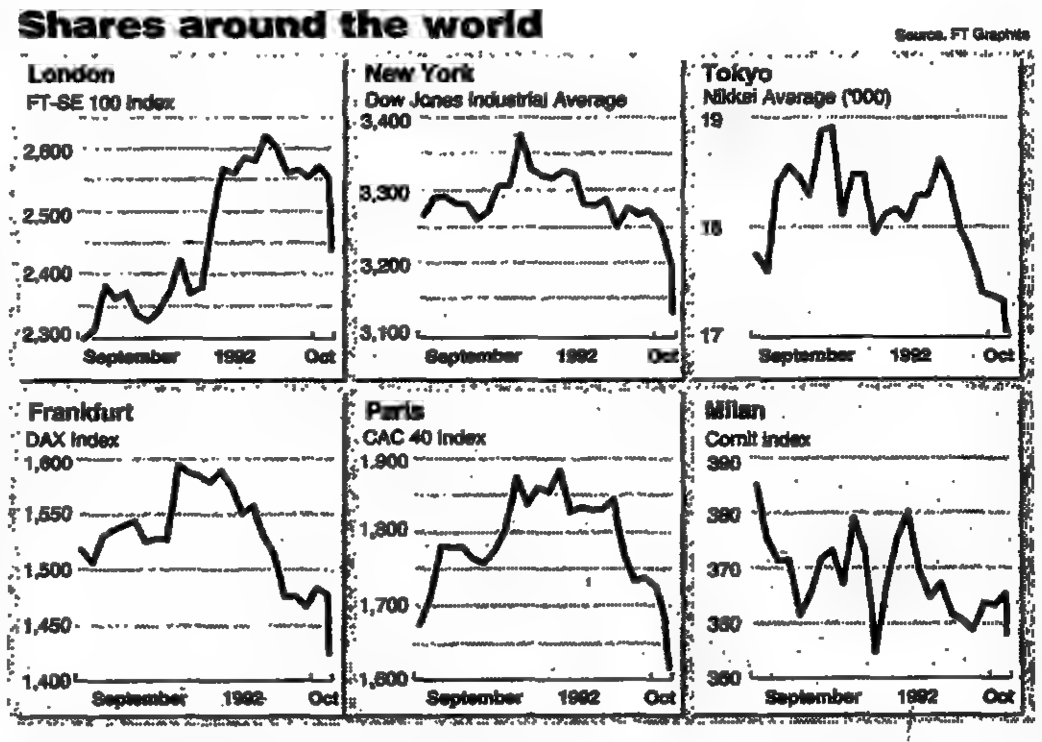
Shares around the world



Source: FT Graphite

FDA told SmithKline Beecham's Seroxat is safe and effective

By Paul Abrahams in London

AN ADVISORY committee of the US Food and Drug Administration yesterday voted unanimously that SmithKline Beecham's anti-depressant, Seroxat, was safe and effective. The decision paves the way for the drug to be launched next year in the US, the world's largest market.

The drug, to be known in the US as Paxil, is seen as SmithKline Beecham's most important new compound, capable of generating worldwide sales of £350m within three to four years.

Approval of Seroxat has been delayed by concern about the safety of Prozac, marketed by Eli Lilly of the US. That drug is a selective serotonin re-uptake inhibitor (SSRI) in the same drug class as Seroxat.

The US antidepressant market – the largest in the world – has grown from £700m in 1989 to about £1.2bn last year thanks to greater use of SSRIs which are more expensive than older drugs. An estimated 14m Americans – 7 per cent of the US adult population – are depressed.

Prozac has captured 50 per cent of the American anti-depressant sector by value since it came to market in 1989, making it one of the most successful drug launches ever. Last year Prozac generated revenues of $910m (£511m). Other SSRIs include Solvay's Fluvoxamine, co-marketed by Upjohn, and Pfizer's Lustral, known in the US as Zoloft.

However, Prozac's sales have recently been affected by repeated attacks from the Church of Scientology which claimed Prozac created suicidal thoughts. Last year, an FDA committee advised there was no link between the drug and suicidal behaviour.

SmithKline Beecham believes Seroxat has fewer side-effects than other treatments.

Moreover, Seroxat is non-toxic and cannot be used successfully by people trying to commit suicide. . By contrast, there are annually 500 suicide fatalities in the UK associated with tricyclic anti-depressants, the older and most common class of drugs used before SSRIs. Tricyclics still represent 50 per cent of anti-depressant prescriptions.

The psychopharmacological drugs advisory committee's recommendation need not be followed by the FDA, but such disagreement would be unusual.

Marriott to split into two units

By Nikki Tait in New York

MARRIOTT, the large US hotels and food services group, is to split its management operations and its property assets into two separate stock market quoted companies.

Under the "demerger", Marriott will place its lodging, food and facilities management operations and its retirement housing in Marriott International. Shareholders will receive shares in the new company pro rata to their holdings in Marriott Corporation.

Marriott will retain most of the group's property assets and its airport and tollroad concessions. This company will be renamed Host Marriott. Shares in both companies will be listed in New York.

Marriott saw rapid profits growth during the 1980s through a strategy of developing and selling hotel assets but retaining operating control. However, the group has since been held back by a heavy debt burden and the difficulties of offloading property assets in a depressed market.

In 1991 Marriott made an operating profit of $478m on sales of $8.33bn, but profits after tax and interest of only $82m. Long-term debt (including about $200m of convertible subordinated debt) at the start of 1992 topped $3bn.

Mr J. Willard Marriott, chairman, said: "This transaction will permit Marriott International to focus its efforts on expansion of management businesses, where individual opportunities require relatively small amounts of capital."

Marriott International will be the larger company, with annual sales (on 1991 figures) of about $7.4m, and operating cashflow, before interest, of nearly $500m. It will take on very little of Marriott's long-term debt. Chains managed by Marriott include Courtyard, Residence Inn, Fairfield Inn, Marriott Ownership Resorts and Marriott Hotels.

Host Marriott will have annual sales (on 1991 figures) of $1.7bn, and operating cashflow of more than $350m. It will own 141 Marriott lodging properties and 16 retirement communities, and retail "most of Marriott Corporation's long-term debt obligations". Marriott rose $1⅛ to $18¾ in New York.

The demerger could be completed by mid-1993, conditional on tax and shareholder approval.

GM productivity lags behind Ford and Chrysler

By Martin Dickson in New York

THE DRASTIC slimming regime necessary to make General Motors competitive against its main US and Japanese rivals was underscored yesterday by a survey showing its vehicle assembly productivity lagging far behind fellow Detroit companies Ford Motor and Chrysler.

The report, compiled by Harbour and Associates, a Detroit-based vehicle industry consultancy, showed Ford to have the greatest productivity among the US Big Three, as measured by assembly workers per vehicle.

Ford was estimated to have 3.01 workers per vehicle, compared to 3.76 for Chrysler and 4.55 for General Motors. In 1989, when Harbour last undertook an industry study, the respective figures were 3.25, 4.58 and 4.88.

Mr Jim Harbour, who heads the consultancy, said yesterday that "Ford's productivity is equal to any transplant (Japanese assembly plant) in the US. Chrysler is getting better very fast. It has improved enormously over the last few years. General Motors is standing still."

General Motors has announced plans to cut 74,000 blue and white collar jobs by 1995, but Mr Harbour estimated yesterday that some 90,000 jobs might have to go to make the company competitive with Ford.

These comprised 54,000 jobs in its vehicle assembly, body stamping, engine and transmission manufacturing works, and possibly another 15,000 salaried staff and 20,000 in components operations.

The survey reckons that Ford's labour costs per vehicle, including assembly, body stamping and engine and transmission manufacturing, total $1,563 per vehicle, compared with $1,872 for Chrysler and $2,358 for General Motors.

**The Harbour Report, 1989 to 1992, $150, Harbour and Associates, 900 Wilshire Drive, Suite 111, Troy, Michigan 48084.*

Bridgestone expects to break even in Europe

BRIDGESTONE, the Japanese tyremaker, expects to break even in Europe this year but foresees a tough 1993 for its worldwide operations, Reuter reports from Paris.

Mr Akira Yeiri, the chairman, told a news conference that the world's second-largest tyre company had not changed the 1992 earnings projections released in July. Bridgestone, which holds around 50 per cent of its domestic market, bought US tyremaker Firestone in 1988.

That forecast saw 1992 parent net profit at Y38bn, ($31.9m), down from a March forecast of Y40bn.

Mr Yeiri said restructuring in Europe, which led to a $100m net loss in its European operations in 1991, would help the group break even this year.

Last month, Bridgestone said it saw a total net loss of about $150m in its US and European units this year.

A Bridgestone official said yesterday that those losses were expected to be entirely in the US.

While there were losses in the US in the first half, operations there will break even in the second half, Mr Yeiri said.

"We see no real recovery [in world tyre markets]," Mr Yeiri said, adding that 1993 would be "extremely difficult". He said that in the current climate it was not easy to raise prices.

The Bridgestone chairman said US tyre sales in general should rise by about 10 per cent this year from their 1991 level in volume terms, but they would remain below their levels of preceding years.

Mr Jean Fourmy, Bridgestone/Firestone Europe chairman, said the French tyre replacement market rose slightly in the first half of 1992 but had fallen sharply since then.

The group expected a decline in the volume of sales for the full year, he said.

He added that Bridgestone France and Firestone France would merge in 1993 but retain separate brand names and distribution networks.

Disruption at USAir as ground crews strike

By Nikki Tait in New York

THOUSANDS of ground crew workers went on strike yesterday against USAir, the US carrier into which British Airways is seeking to invest $750m for a large minority stake.

The strike action, which stems from USAir's efforts to secure work-rule changes and wage concessions in negotiations with the International Association of Machinists and Aerospace Workers, severely disrupted the airline's operations. The carrier – which operates about 2,750 jet departures each day – immediately cut its flight schedules to 60 per cent of the normal level.

USAir shares slumped $¾ to $11¼ on the news. Early in the day, IAM members were said to be setting up picket lines at key airports, including Greensboro, North Carolina, and at Washington National Airport. By mid-morning, the USAir flight attendants union, the Association of Flight Attendants, had also thrown support behind the mechanics' strike, instructing members not to cross picket lines.

USAir, which has lost around $760m after tax during the past two years, has been asking all employees to accept wage and work rule concessions in an attempt to prune around $400m from its annual cost base. It reached an agreement with its pilots earlier this year, but negotiations with the mechanics and flight attendants have remained unresolved.

Other US airlines – including Continental, Northwest, America West and Delta – said they would try to accommodate strike-hit passengers holding USAir tickets for a temporary period and where space permitted.

The damage done to USAir will depend heavily on how long the strike lasts – and there were unconfirmed rumours yesterday morning of attempts to restart talks between the IAM and management.

"The strike by the machinists, while not as damaging as a pilots' strike, could cause serious disruption and losses if it lasts for more than a few days," commented Standard & Poor's, the large ratings agency which has USAir debt under review with "developing" implications.

Matsushita backs film image for its future

Steven Butler and Emiko Terazono assess the Japanese group's takeover of MCA

SCENES from popular US movies such as ET and Back to the Future have begun to enliven advertisements in Japan for electronic goods made by Matsushita Electric Industrial, one of the world's biggest consumer electronics companies, whose brands include Panasonic, Technics, and Quasar.

Matsushita owns rights to the images following its controversial $6.1bn acquisition nearly two years ago of MCA, the US film, music and publishing group that owns Universal Studios.

Yet Matsushita's expensive plunge into the US entertainment business does not appear to be yielding – or even promising – much in the way of benefits besides the glittering images.

Indeed, Matsushita's long-term plans for MCA, and how entertainment fits strategically with its electronics business, are as murky as they were on the day of the acquisition.

Perhaps worse, the acquisition has become an expensive financial drain as Matsushita's traditional electronic equipment or hardware business is in trouble. Matsushita said pre-tax profits in the six months to the end of September were likely to fall 53 per cent to Y50bn ($402m), a meagre 2.2 per cent return on sales of Y2,250bn.

This is not how Matsushita sees the acquisition officially, although privately some Matsushita employees question the wisdom of owning MCA.

Mr Mamoru Furuichi, a director with responsibility for MCA since February, last week gave one of Matsushita's most extensive explanations to date of how it sees its entertainment business.

He said: "We think that our efforts will bear fruit in the future. What these will be, we can't tell yet. We are thinking in a span of 10 years."

It is characteristic of Japanese corporate management that Mr Furuichi prefers not to talk about the short-term, but the short-term results of the acquisition have been dismal.

Last year, Matsushita's operating profits from entertainment were only Y20.6bn, roughly a 2.7 per cent return on the investment. Mr Furuichi says this year MCA profits are expected to climb by double digits, yet to make short-term financial sense, growth in triple digits would be required.

The cost of the acquisition has weighed heavily on Matsushita's balance sheet. The company went from a net cash position of Y354bn in March 1990 to hold a net debt of Y1,220bn, or 35 per cent of equity, in March this year. Matsushita is a strong company and this level of debt puts no serious strains on it. Yet the question is whether Matsushita used its cash wisely.

Matsushita bought a company that was in good health. It went to pains to retain the MCA management, including the successful team of Mr Lew Wasserman and Mr Sidney Sheinberg. And after the acquisition, it adopted a hands-off policy. "The first year was to get to know each other," said Mr Furuichi.

Just after the acquisition Matsushita set up an executive committee composed of Matsushita and MCA executives whose aim was to advise the MCA board of directors. This March, the executive committee set up three sub-committees, one to take a broad look at the future of the industry, one to explore the possibility of co-operative development projects between Matsushita and MCA, and one to look at financial issues.

ET: Spielberg's images are enlivening adverts in Japan

Matsushita hopes to broaden the use of high definition video equipment in the entertainment industry. It is brainstorming with MCA in the multi-media field – an as-yet vaguely defined class of future electronics products that will combine video, digital sound, telecommunications, and computing. Mr Furuichi says Matsushita has a lot to learn from MCA, and is hoping some of the creative tradition at Universal Studios will rub off on the company. At Universal City, the Hollywood theme park, Steven Spielberg is to design a Panasonic Pavilion as a showcase for Matsushita's electronic hardware.

Very broadly, Matsushita sees room for MCA to expand its business in Europe and Asia.

All these activities are no doubt sound, and in spite of some reports of unhappiness at MCA, Matsushita cannot be accused of mismanaging its subsidiary.

Even so, it is striking that two years after spending $6.1bn, plans for MCA's development still appear to be at the formative stage at best. This leads to the inevitable conclusion that Matsushita, in spite of much talk at the time about synergy, never had a concrete vision about how Matsushita's hardware and MCA's software businesses would fit together.

Rather, the acquisition may well have been a defensive move out of fears that Matsushita would be out in the cold should Sony, its domestic rival, make a success of its $3.4bn acquisition of Columbia Pictures a year earlier.

In contrast to Matsushita, Sony bought a studio that was in trouble, and may have in the end invested as much as $8bn in acquiring a range of film and music interests, including Columbia Records. Matsushita was widely seen as having done the better deal.

In the end, though, Sony managed to turn Columbia into the leading US film studio last year, with 20 per cent of the US box office take. Sony's entertainment profits grew to Y53.2bn, a barely acceptable (for a Japanese company) financial return of roughly 5.3 per cent, at least for one year.

It is difficult to see how Matsushita will match this sort of performance on a sustained basis, although Mr Furuichi's vision might turn out to be right and all that is needed is patience.

Perhaps the more realistic financial measure of the investment would be Matsushita's entertainment profits as a ratio to what MCA would sell for today, which may be reasonably high after all.

Chairman offers to resign from Posco

By John Burton in Seoul

MR Park Tae-joon, the chairman and founder of South Korea's Pohang Iron and Steel (Posco), yesterday offered his resignation a week before the company was scheduled to open up its share register to foreign investors.

Political factors appeared to have prompted Mr Park's decision to resign, although his request to leave Posco has not yet been approved by the company's board of directors.

Some analysts believe that the resignation offer by Mr Park, a leading figure in the ruling Democratic Liberal Party (DLP), may be a preliminary step to his leaving the party in order to support a rival candidate in the December presidential election.

Mr Park was frustrated in his bid to become the DLP presidential candidate earlier this year. The news of his resignation sent Posco's shares tumbling on the Seoul stock market.

Posco, which is 30 per cent controlled by the government, is next week expected to approve new rules allowing foreign investors to acquire up to 10 per cent of Posco stock.

The company is the second highest capitalised company on the Korean exchange, accounting for 2 per cent of the total stock market value.

The government is offering foreigners shares in Posco and Korea Electric Power Corp (Kepco), another state-run company and country's largest capitalised concern, in a bid to revive the sluggish Korean stock market.

Mr Park offered his resignation less than a week after Posco inaugurated a fourth furnace at its Kwangyang steel complex, making it the world's third-biggest steel producer.

"My understanding is that he has made up his mind to resign now that the work of building a great steel industry is completed," said an aide to Mr Park. "He seems to believe that this is the time for him to leave the post honourably."

Mr Park, a former military officer, was appointed by the government in 1967 to establish Posco as one of the main engines behind South Korea's rapid push for industrialisation.

He established the Pohang steel complex in south-east Korea and later expanded operations to Kwangyang on the southern coast.

Mr Park developed Posco into one of the world's leading steel companies and has provided an extensive social welfare programme for the company's workers, including housing and education.

United Saudi Commercial Bank up 21%

UNITED SAUDI Commercial Bank reports a 21 per cent increase in net profits to SR152.7m ($40.72m) for the third quarter of 1992, AP-DJ reports from Manama.

USCB said it has sustained growth in quarterly earnings "despite an uninterrupted decline in interest rates and extreme volatilities in the world financial markets".

The bank said it had adopted a new strategy, diverting resources "from low-yielding interbank assets to investment and customer loans, thereby improving net returns on available funds".

USCB loans and advances rose 55 per cent to SR3.40bn while investments surged 57 per cent to SR2.36bn.

Total assets at the end of September jumped 16 per cent to SR9.00bn a year earlier.

Shareholders' funds were up 34 per cent to SR765.1m "due to retention of operation earnings", the bank said.

However, customer deposits increased by only 11 per cent to SR5.93 bn.

The bank said it lowered its provision for possible loan losses to SR22.5m from SR25m the previous year, due to an "emphasis on credit quality and improvement in the bank's classified risk portfolio".

USCB was set up in 1983 out of a merger of the local branches of Bank Melli Iran, Banque Du Liban & D'outre Mer and United Bank of Pakistan.

The three banks retain a joint 30 per cent stake in the USCB, with Saudi private shareholders owning the remaining 70 per cent.

Record trade on Color Line

By Karen Fossli in Oslo

COLOR LINE, the Norwegian ferry operator, unveiled record pre-tax profits of NKr132m ($23.9m) for the first eight months of this year. This compares with a NKr2m loss in the same period last year.

The return to profit stemmed largely from a marked increase in the volume of traffic in most of its ferry routes.

Color Line said there had been an especially strong increase in traffic on its Bergen/Stavanger-Newcastle line. Net operating income in the period rose to NKr1.07bn from NKr978m last year.

Mr Jon Erik Nygaard, managing director, forecast a small increase in profits for the year as a whole, and said the company was considering refinancing long-term debt of NKr1.5bn. He forecast annual market growth of 6 per cent to 7 per cent, slightly lower than recent years.

Mercedes-Benz cuts output

MERCEDES-BENZ, the car and truck subsidiary of the Daimler-Benz group, is reacting to slack world economic conditions by extending the Christmas and New Year holiday for its domestic workforce from four days to seven and is not ruling out short-time working in 1993, writes Andrew Fisher in Frankfurt.

Daimler-Benz also announced it had acquired a 5 per cent stake in South Korean automotive company Ssangyong Motor.

The move follows a co-operation agreement between Mercedes Benz and Ssangyong signed in January 1991. Under this deal, Ssangyong will produce about 50,000 Mercedes MB 100 vans a year under licence from 1994.

Mercedes-Benz said in June that it was reducing its workforce substantially through early retirement, the ending of temporary employment contracts, and non-replacement of those leaving.

As a result, the German plants will employ 10,500 fewer workers at the end of the year than in January, when the workforce totalled 185,000.

Mercedes has already said car output would drop this year by 35,000 to 543,000 units as a result of slower sales at home and uncertainty over exports.

Pasminco heading back to the black

MR PETER Barnett, chief executive of Pasminco, the Australian zinc and lead producer, expects the company to return to profitability in the year to June 1993, AP-DJ reports from Melbourne.

"The good operating performance of 1991-92 has continued into the 1992-93 year and unless Australian-dollar metal prices decline significantly, Pasminco should return to profits in the current year," Mr Barnett said in his annual report.

Pasminco reported net losses of A$58.6m (US$41.8m) for the year to June 1992, widening from year-earlier losses of A$47.6m. The losses were caused by low world metal prices and one-time factors. The company also reported it cut costs in the year and returned to profitability by August, when the Australian currency fell against the US dollar and metal prices rallied.

Lead and zinc metal prices trended up in the July-September quarter, but they have slipped in the past two weeks.

INTERNATIONAL COMPANIES AND FINANCE

Nordbanken reverses into SKr8.4bn financial deficit

By Robert Taylor in Stockholm

NORDBANKEN, Sweden's state-owned bank, yesterday announced financial losses of SKr8.4bn ($1.57bn) for the first eight months of the year, up from SKr3.433bn in the corresponding period of 1991.

Loan losses totalled SKr10.01bn, exceeding two-thirds of the level forecast for the whole of the year. No provisions had been made for SKr1.32bn of that figure.

The bank said that its profits before loan losses for the May to August period only "increased insignificantly" but it did not provide a figure. It added that operating profits before loan losses for the first eight months totalled SKr1.59bn, a 55 per cent decline on the same period of 1991.

Nordbanken said the "poor trend of earnings" was expected to continue for the rest of the year. It pointed out that the high market interest rates in Sweden now increased the risk of further credit losses as the recession deepened. "The bank's earning capacity is at present undermined by a substantial increase in non-performing assets," said Nordbanken.

The bank is no longer listed on the stock market as it became wholly-owned by the state in the middle of last month.

"Nordbanken's loan losses still remain very high," said Mr Olle Wastberg, under-secretary at the Ministry of Finance. But he added that this would not "jeopardise depositors' funds or the reconstruction of the bank".

At the end of this year, non-performing loans, loans with negotiated interest deferments and other assets that hamper the bank's earning power, are to be transferred to a new company called Securum which will be wholly-owned by the Swedish government and separate from Nordbanken.

The government will announce a rescue plan for the bank shortly after today's opening of the new session of parliament. Its aim is to strengthen the bank's financial base so that its capital adequacy requirement ratio will exceed the 8 per cent required by the end of the year under the rules of the Bank for International Settlements.

The depths of the crisis at Nordbanken can be gauged by the size of their non-performing assets which were SKr32bn at the end of August. Nordbanken revealed yesterday that the reserve for possible loan losses was SKr16.6bn which covered only 52 per cent of the total.

The net amount of non-performing assets at the bank had risen to SKr15.2bn compared with SKr9.9bn at the start of the year and SKr12.7bn at the end of April.

The bank said that the volume of outstanding loans with interest deferment agreements rose during the year to SKr6.5bn from SKr3.8bn and pledges taken over by the bank for protection of its claims rose by nearly SKr1bn to SKr7.4bn.

DNO seeks share suspension

By Karen Fossli in Oslo

DNO, the oil company controlled by Mr Torstein Hagen, the Norwegian investor, yesterday requested a suspension of trading in its shares while discussions were taking place with institutional investors in Nedlloyd, the Netherlands' biggest transportation group.

DNO holds about 6 per cent of Nedlloyd's capital and is seeking to boost this shareholding significantly through purchases from institutional shareholders.

Mr Tor Olav Troeim, DNO's managing director, said yesterday the company's shares could be suspended for at least two weeks, but this would depend on the outcome of discussions to increase the company's Nedlloyd stake.

DNO said that negotiations with the Nedlloyd institutional shareholders were "to gather a considerable ownership position in Nedlloyd into DNO".

Mr Troeim suggested that talks were being held with Nedlloyd institutional investors holding 50 per cent stake in the Dutch company. He would not disclose the identity of the institutions.

The suspension comes a month after Mr Hagen, DNO chairman and also a shareholder in Nedlloyd, won a seat on the company's supervisory board following a ruling in his favour by the Amsterdam Court of Appeals.

Mr Hagen is also the board chairman of Marine Investments, DNO's parent company, which also holds shares in Nedlloyd. In all, it is believed that Mr Hagen controls an estimated 25 per cent stake in the transport group through subsidiaries.

Mr Troeim said that the suspension would stop market speculation. When DNO released its half-year results at the beginning of last month, it reported the sale of more than 600,000 Nedlloyd shares, realising a gain of NKr15.4m.

At that time, DNO's board warned that the restructuring of Nedlloyd was proceeding too slowly and this was reflected by a sharp fall in the company's share price to Fl 35 at the beginning of September from Fl 56 at the end of June.

The board said that several of Nedlloyd's largest shareholders had contacted Mr Hagen requesting him to accelerate the restructuring of the company.

"The board is disappointed that the matter has become so drawn out and will closely evaluate, together with other major shareholders in Nedlloyd, the alternatives available." DNO said last month.

Some analysts believe that Mr Hagen is seeking to consolidate his Nedlloyd shareholding into DNO from Marine Investments, and it was highly unlikely the company would seek to make a full bid for the Dutch group.

Investors protest at Stet move over debt

By Haig Simonian in Milan

STET, the Italian public-sector telecommunications group controlled by the Iri state holding company, ran into fierce investor criticism yesterday of its L700bn ($561m) plan to buy the Finsiel software group.

Shares in Stet fell by 23 per cent on a wave of sales by minority shareholders in protest at the nature and presentation of the deal to purchase Iri's 83.3 per cent stake in Finsiel. Ordinary shares in Stet fell to L1,035 – virtually half their level of four months ago.

Analysts and bankers reacted with almost universal hostility to the purchase, which they dismissed as little more than a book-keeping exercise to reduce Iri's indebtedness at the expense of Stet's minority shareholders.

"This harks back to the very worst days of the Andreotti government", said one banker. "It goes completely against what the new government has been saying about privatisation. I hope prime minister Giuliano Amato will reverse it."

Bankers also objected to the timing of the surprise transaction, sprung late on Friday afternoon. The objections follow similar criticisms in June, when Iri made a poorly-managed announcement of a secondary placement of a 16 per cent of Stet's shares.

Stet justified the purchase on the grounds of the growing synergies between telecommunications and software companies, and criticised what it termed as the "speculative attack" on its shares. The price was reasonable and well within its means.

Analysts said the deal was devised after last year's calls by Mr Carlo De Benedetti to merge Finsiel, Italy's biggest software house, with Olivetti Information Services, the software operation controlled by the Olivetti computers group. Mr De Benedetti controls Olivetti through his quoted Cir holding company.

Stora tumbles to loss of SKr383m

By Robert Taylor

STORA, Europe's largest pulp and paper group, suffered a SKr383m ($71m) loss in the second four months of the year. This contrasts with a SKr860m profit it made for the same period of 1991 and a SKr3m profit for the first four months of this year.

Invoiced sales fell to SKr31.07bn for the first eight months, from SKr34.87bn for the same period of last year.

Mr Bo Berggren, chief executive, said the company would suffer a further deficit in the final four months of this year. Earlier assessments had assumed a summer business recovery in the US which did not happen. The decline in the dollar exchange rate also resulted in further pressure on prices.

Stora said the forest products industry continues to face a "substantial degree of overcapacity". As a result, prices have had to be cut severely with falls as big as 23 per cent in newspaper print and 11 per cent in fine paper.

The company's loss would have been much higher but for a rationalisation programme. The drop of SKr2.65bn in revenues was partly offset by SKr1.4bn savings so far this year with SKr800m of that coming in the second four months. Costs will be cut by a further SKr300m in the third four months.

Stora said it plans further restructuring to reduce costs by a further SKr1bn next year and by SKr1bn in 1994. The workforce was being cut from 45,643 at the end of 1990 to just over 39,000 by December. Productivity has risen 12 per cent this year.

However, the company said the present worries in Sweden's financial markets had not affected the group's position. Interest-bearing net indebtedness actually fell to SKr23.71bn at the end of August from SKr24.74bn at the beginning of the year.

Stora's pulp business made a SKr239m operating loss in the first eight months compared with a SKr89m loss for the same period of last year, mainly due to falling pulp prices.

Showdown for Austria's Giro bank

Opposition to its expansion strategy mounts, writes **Ian Rodger**

A SIMMERING row over the future of GiroCredit Bank, Austria's third-largest bank, has exploded into public view, with Bank Austria, Giro's largest shareholder, declaring publicly that it opposes Giro management's expansion strategy.

Hans Haumer: plans to buy stakes in savings bank

The way is now set for a showdown at the meeting of Giro's supervisory board on October 15, when Mr Hans Haumer, the chief executive, is to put forward a plan to buy 10 per cent stakes in two large provincial savings banks.

Giro, the former Girozentrale, has been struggling to transform itself into a universal bank following the liberalisation of the Austrian banking industry in the past two years.

Giro has been the central deposit body where the Austrian savings banks have been obliged to put their excess funds, and so therefore has operated mainly as a wholesale bank, active in domestic and foreign capital markets. Now the savings banks can deposit their funds on the open market and obtain much better returns than from Giro, whose rates are still regulated.

Late last year, Giro embarked on a strategy of developing its own branch network, acquiring Osterreichisches Credit-Institut (OCI) for Sch2.5bn ($250m). OCI has 47 retail branches.

However, opportunities for other acquisitions are few and expensive. Recently, Giro proposed another tactic to achieve the same end – buying 10 per cent stakes in some of the larger provincial savings banks. It hopes this will encourage them to continue doing business with the central body.

Giro has already agreed terms with two of these banks, Salzburger Sparkasse, in Salzburg, and Allgemeine Sparkasse Oberösterreich in Linz.

And this was the point at which Bank Austria, the country's largest bank, objected. Giro is owned by 95 savings banks throughout the country. Bank Austria is the largest with a 30 per cent stake by virtue of its control of the big Zentralsparkasse group of savings banks in Vienna.

Up to now, Bank Austria and Die Erste, a competing group of Vienna-based savings banks with about a 20 per cent stake in Giro, have led rival consortia of urban and rural savings banks on the Giro board, divided along partisan political lines.

The result is that even though Bank Austria and Die Erste together together accounted for a majority of the votes on the Giro board, they have never acted together. At the moment they control only seven of the 20 board seats between them.

However, now both Bank Austria and Erste see a common interest as Vienna-based banks eager to improve their market share in the provinces in preventing Giro from strengthening its position in the country's main provincial cities.

Mr Gerhard Randa, deputy chief executive of Bank Austria, said publicly recently that he thought Giro should concentrate its efforts on its speciality of wholesale banking and that investments in minority positions in retail banks did not make good economic sense.

Mr Randa recognised that the Giro board as presently constituted with a majority of votes still in the hands of the provincial savings banks might well endorse management's plans. But he said if the vote was lost on October 15, changes to the board's membership should be considered.

Giro officials say the provincial savings banks would be extremely offended if their representatives were removed from the board, and they are betting that Bank Austria will not risk undermining the bank's business. "It is a bit of a chess game," one said.

Meanwhile, Giro officials are trying desperately to change the ownership structure of their bank. It is intolerable having two main competitors as the two largest shareholders, bank officials say. But the cost of buying out Bank Austria or Die Erste would be extremely high.

Last year, Giro tried to merge with Die Erste, but that failed for a variety of reasons. It has been trying for some time to attract "strategic" minority shareholders, and is now in discussions with Bayerische Landesbank Girozentrale, the central deposit bank for a group of German savings banks, over a 10 per cent stake.

Others wonder if there is room in Austria's overcrowded banking market, where there are already two large universal banks, Bank Austria and Creditanstalt, for a third.

Mr Rene Alfons Haiden, chief executive of Bank Austria, says his bank will wait and see whether Giro can find any strategic partners. If not, he acknowledges that it might have to be taken over by Bank Austria. "I am sure we can solve all the problems," Mr Haiden said.

INTERNATIONAL CAPITAL MARKETS

Bunds offer safe haven from European weakness

By Tracy Corrigan in London and Patrick Harverson in New York

EUROPEAN bond prices were driven primarily by movements in the foreign exchange and stock markets yesterday. Bunds benefited from the strength of the D-Mark, while most of the other European

GOVERNMENT BONDS

bond markets suffered due to further currency weakness. However, sliding stock market prices throughout Europe encouraged some switching into bonds later in the day.

■ GILT prices fell sharply due to pressure on the pound and the lack of any coherent economic policy following sterling's withdrawal from the exchange rate mechanism.

Renewed currency weakness intensified fears that further interest rate cuts will not be forthcoming, dealers said.

Long-dated gilts received a further battering, ending a point lower as inflationary fears caused a further steepening of the yield curve. "An inflation risk premium is being built into the long end of the market," said Mr Neil MacKinnon, economist at Citibank.

Short and medium-dated gilts recovered some lost ground, as the slide in UK stock prices prompted switching into bonds.

Following the recent slide in the long-end of the market, 25-year gilts are currently yielding more than 9¼ per cent. "The closer long-dated yields are to 10 per cent, the more attractive they will become," said Mr Simon Briscoe, economist at Midland Montagu. "The likelihood is that we will cut interest rates before the rest of the [European] bloc."

The policy vacuum following sterling's withdrawal from the ERM continues to sap confidence in the government's ability to tackle the crisis, dealers said. Traders will be watching the Conservative party conference, which starts today, for signs of a fresh economic policy. However, most analysts expect that detailed plans will not be revealed until the autumn statement, although some hints could emerge after Monday's Treasury committee meeting.

The long gilt future on Liffe ended at 95.03, down from Friday's close of 95.28.

■ US Treasury prices firmed across the maturity range yesterday morning as a sharp fall in stock prices sparked reports that investors were rushing into fixed-income assets.

By midday, the benchmark 30-year government bond was up ⅛ at 99⅞, yielding 7.308 per cent. The two-year note was also higher at mid-session, up ⅛ at 100[illegible], yielding 3.621 per cent.

The fundamentals of the market, meanwhile, remained mixed, with attention firmly focused on the Federal Reserve. The Fed's key policy-making Open Market Committee meets today and there are hopes that it will sanction another interest rate cut.

Yesterday's early losses on equity markets led some investors to speculate that the Fed would ease policy to help prevent a slide in stock prices.

■ THE GERMAN bund market benefited from its safe haven status as the D-Mark gained ground against other European currencies. Because of the strength of the currency, the German authorities will be able to ease interest rates at will, while most European governments are constrained by currency considerations. Growing evidence that the German economy is slowing is boosting hopes that an easing of German monetary policy is on the horizon.

Traders said the bund market benefited from a repatriation of funds by German investors from other bond markets, as well as switching from the German stock market, which fell 4 per cent yesterday, into bunds. The bund future on Liffe ended at 91.78, up from Friday's close of 91.45.

■ ITALIAN bonds continued their downward spiral yesterday as the lira slid in the foreign exchange market. Dealers said last week's three, five and seven-year government bond auctions and yesterday's 10-year auction helped push prices down.

As cash market liquidity dries up, trading is becoming concentrated on the futures market. The Italian BTP contract on Liffe ended at 88.70 yesterday, down from Friday's close of 90.89, in volume of 16,000 contracts.

■ PRESSURE on the franc caused French bonds to fall sharply, but prices benefited from a drop of more than 4 per cent in the French stock market. Although the franc lost a couple of pfennigs, it remained comfortably above its ERM floor. The French OAT future on the Matif exchange in Paris hit a low of 108.72, before recovering to close at 109.14, only 10 basis points below Friday's close.

■ JAPANESE government bond prices ended flat, although the tone remains bullish as the strength of the yen continues to encourage international investors taking funds out of weak European bond markets. Signs of continued economic weakness are fuelling hopes of a cut in the official discount rate.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.2407	-0.172	8.89	8.84	8.84
BELGIUM		8.750	08/02	101.7300	+0.400	8.47	8.61	8.93
CANADA *		8.500	04/02	105.1800	+1.150	7.72	7.79	7.09
DENMARK		9.000	11/00	98.0500	-0.570	9.72	[illegible]	9.89
FRANCE	BTAN	8.500	03/97	[illegible]	-0.480	8.87	8.70	8.30
	OAT	8.500	11/02	99.3300	-0.365	8.59	8.52	8.82
GERMANY		8.000	07/02	104.4500	+0.265	7.34	7.58	7.82
ITALY		12.000	05/02	89.5000	-1.500	14.511	14.32	14.13
JAPAN	No 119	4.800	06/99	100.7671	-0.062	4.65	4.72	[illegible]
	No 145	5.500	03/02	104.7918	+0.236	4.78	4.78	4.89
NETHERLANDS		8.250	08/02	103.4400	+0.080	7.72	7.86	8.26
SPAIN		10.300	06/02	[illegible]	-1.150	13.66	13.14	12.26
UK GILTS		10.000	11/96	104-15	-17/32	8.87	8.47	9.54
		9.750	[illegible]	103-02	-1⅜	9.26	8.93	9.20
		9.000	10/08	96-20	-1[illegible]	9.54	9.24	8.99
US TREASURY *		6.375	08/02	101-06	+15/32	6.21	6.38	6.40
		7.250	08/22	99-02	+14/32	7.33	7.35	7.28
ECU (French Govt)		8.500	03/02	94.3500	-0.450	9.42	9.29	9.44

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Qualified stamp of approval for Swiss reforms

Bankers give a cautious welcome to tax changes, writes Ian Rodger

Do not expect any sudden revitalisation of the Swiss financial centre following the approval given by Swiss voters in a referendum last Sunday to the elimination of stamp duties on some securities transactions.

That is the typically cautious message from Swiss bankers who emphasise that there is still much to be done to make Switzerland internationally competitive again in many financial areas.

For one thing, the tax changes do not take effect until next April. For another, the hated stamp duties, which the financial community has been fighting for years, still apply to about 80 per cent of securities transactions.

"This is a step in the right direction, but it is only a step," says Mr Peter Widmer, executive vice-president of Bank Julius Baer in Zurich.

Bankers say that they hope it will at least prevent any further exodus of financial business to London and Luxembourg.

"It no longer looks as if a major move of people and facilities will be needed," Mr Widmer says.

However, bankers say the change is not enough to encourage banks to bring back to Switzerland the considerable proportion of business that has already moved.

Mr Thierry Lombard, managing partner of Geneva-based private bankers Lombard Odier, says his bank would very much like to bring back about half of the SFr7bn ($5.6bn) in client funds that it manages in Britain, together with the 35 or so jobs involved.

"But this reform is not sufficient," he says.

The main losses to the Swiss financial centre in recent years – attributed in part to the stamp duties – have been in equity trading and in the establishment of investment trusts.

Bankers estimate that between one-fifth and one-quarter of all transactions in Swiss equities are now carried out in London.

In a typical month, around 10 per cent of the large international equities market conducted in London comprises deals in Swiss shares.

There has also been a rapid build-up of Swiss-controlled investment trusts in Luxembourg, with the total reaching SFr179bn at the end of last year, compared with only SFr34bn in Switzerland.

Removal of the 0.9 per cent stamp duty on investment trust certificates should stop the outflow of this business, bankers say, and new investment trusts will probably begin to be established in Switzerland.

But repatriation of existing funds will not happen until Swiss law on investment trusts is updated, probably within the next two years.

Similarly, the elimination of duties on bankers' dealings for their own account should boost the liquidity of the Swiss equity markets and promote market-making there.

However, market-making, especially in the shares of Swiss multinationals, will likely remain very strong in London, not least because stamp duties will continue on all client-related equity transactions in Switzerland.

One area of considerable promise arising from the reform is the Swiss money market.

Until now, there has not been much of a money market because of the stamp duty on these transactions.

In recent years, the central bank has issued notional money market certificates. And Crédit Suisse has pioneered in underwriting these book entry issues for corporations and local authorities in lieu of commercial paper. Now a real money market can be established.

Open-end Latin American fund to be launched

By Antonia Sharpe

LATIN American Securities is to launch an open-end fund that will invest only in Latin American US dollar-denominated debt instruments.

The Latin American Income Company Sicav (Latinco), listed in Luxembourg, will provide a gross dividend of between 8 and 9 per cent on an annualised basis, paid every six months. Mr Marc Wenhammer, Latinco's adviser, said the fund would have high liquidity, since its net asset value would be calculated daily, allowing daily dealing.

The fund will be diversified, with less than 5 per cent in any single instrument and less than 35 per cent in a single country.

About 70 per cent of the fund will be invested in instruments which mature in less than two years in order to minimise capital risk.

Difficult launch for Republic of Finland issue

By Richard Waters

THE Republic of Finland yesterday led the expected wave of European sovereign borrowers to come to the international bond market, only to come unstuck in the

INTERNATIONAL BONDS

treacherous market conditions that have beset other large issues in the past month.

A comment from the country's finance minister, apparently warning of the danger of bankruptcy if Finland did not take firmer control of its budget, turned what was already a difficult issue to launch into a near-impossible one.

At the opening of a training college for senior civil servants, Mr Iiro Viinanen said: "Harsh cuts in spending will always hurt, but if the cuts are delayed the Finnish national economy will soon be bankrupt." Despite attempts by the Finnish finance ministry to play down this comment, its timing effectively killed off much of the investor interest in yesterday's Y75bn ($625m) issue. Plans to break syndicate yesterday afternoon have been delayed until this morning to seek further interest in the Far East.

Mr Viinanen's comment struck a chord among investors concerned about the credit quality of European sovereigns, particularly in the wake of last week's decision by Moody's, the US credit rating agency, to put both Spain and Sweden under review for a possible downgrade.

Finland's budget deficit this year is running at around 8 per cent of gross national product, said Mr Vekko Kantola, director of finance. However, he added that total government debt, at 30 per cent of GNP, was low compared with some other European states.

Finland currently has a split credit rating, with Moody's rating it AA2 compared with the higher AA+ accorded it by Standard & Poor's.

Mr Kantola said recent discussions with the agencies suggested that no immediate review was likely, though S&P had changed its assessment of the country's outlook to negative.

At a yield of 95 basis points over the Japanese yield curve, the five-year issue was widely considered before the finance ministers' comment to have been fairly priced to take into account the recent widening of spreads in the Eurobond market.

However, even at that level (estimated by one banker to equate to around 50 basis points over Libor if the proceeds had been swapped) the bonds were said to be selling slowly in a very uncertain market.

Mr Kantola said the deal had not been swapped, but that the money would swell the non-European currency element of the country's foreign exchange reserves, which currently stand at 17 per cent. Yesterday's issue will keep this at under 20 per cent, in line with the finance ministry's target, he said.

Finland's foreign currency reserves currently stand at around FM27bn ($5.96bn), only marginally less than the FM30bn at which they are generally held, said Mr Kantola.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Citizen Watch Co.(a)♦	200	1.5	100	1996	2¼/1½%	Nikko Europe
Showa Electric(b)♦	150	1.5	100	1996	2¼/1½%	Daiwa Europe
Yen						
Republic of Finland	75bn	6.25	99.35	1998	27.5/20bp	IBJ Int.
Jets Int.(c)‡★★	4bn	(c)	100.3	1998	30bp	Mitsubishi Fin.
D-Marks						
Citizen Watch Co.(a)♦	100	4	100	1996	2¼/1½%	Bayerische LBk

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. ‡Floating rate note. a) Final terms fixed on 13/10/92. b) Final terms fixed on 12/10/92. c) Coupon pays 50bp above Yen 3-month Libor. Floating rate can be changed to fixed rate at note holders request.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on October 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	108¼	108¾	+⅛	4.37
ALBERTA PROVINCE 9 3/8 95	600	112	112½	+⅛	5.04
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COPENHAGEN TEL 8 5/8 96 LFr	600	98¾	99¾		9.20
WORLD BANK 8 96 LFr	1000	97¾	98¾		8.74
[illegible]					
QUEBEC HYDRO 5 08	100	77½	78½		7.50
SNCF 7 04	300	102¼	102¾	+⅛	6.66
WORLD BANK 5 03	150	89½	90½		6.37
WORLD BANK 7 01	600	104¼	104¾		6.29

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	100⅞	101⅛		4.02
CREDIT FONCIER 5 1/4 94	20000	101¼	102⅛	-⅛	4.39
DENMARK 7 95	40000	106	106⅛	-⅛	4.22
EIB 4 5/8 94	40000	101½	101¾		3.62
ELEC DE FRANCE 5 5/8 96	20000	103⅞	104½	-⅛	4.55
FINLAND 6 3/4 96	50000	105⅛	105⅜	-⅛	5.01
INTER AMER DEV 7 1/4 00	30000	111⅞	112	-⅛	5.32
KANSAI ELEC PWR 4 5/8 94	60000	100¼	101		4.11
NIPPON TEL & TEL 5 7/8 96	50000	104¼	104½		4.68
NORWAY 5 1/8 95	50000	102	102¼		4.25
SNCF 6 3/4 00	30000	108¾	109¼	-⅛	[illegible]
SWEDEN 5 5/8 95	20000	102½	103	-⅛	4.70
WORLD BANK 6 3/4 00	50000	109⅝	109⅞		5.15

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
CHUBB CAPITAL 6 98	250	66	115⅝	116¾	+18.96
EASTMAN KODAK 6 3/8 01	300	50.67	103⅞	104⅞	+18.95
GOLD KALGOORLIE 7 1/2 00	65	1.0554	94⅛	95⅛	+50.25
HANSON 9 1/2 06 £	500	2.9875	100⅞	101⅛	+25.79
HAWLEY 6 02 PREF	400	19.1	109⅝	111⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	122⅛	123⅛	
LAND SECS 6 3/4 02 £	84	6.72	78⅛	79⅝	+31.32
LASMO 7 3/4 05 £	90	5.64	73⅞	74⅞	
MITSUI BANK 2 5/8 03	200	2332.6	67	68⅛	+29.53
MOUNT ISA FIN 6 1/2 97	100	2.283	100	101	+10.92
OGDEN 6 02	85	39.077	85¼	86¼	+82.54
SEGA ENTERPRISES 3 1/2 96	200	1301.8	98¼	99½	+45.72
SMITH & NEPHEW 4 02 £	90	1.775	127¼	128¼	+58.57
SUMITOMO BANK 3 1/8 04	300	3606.9	68	69¾	+39.40
TEXAS INSTRUMENTS 2 3/4 02	300	67⅞	93⅛	96¼	+90.79
THORN EMI 5 3/4 04 £	103	7.16	123⅛	124¼	+13.43

[illegible]

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	76	1
Other Fixed Interest	4	8	3
Commercial, Industrial	109	609	706
Financial & Property	59	366	376
Oil & Gas	8	36	41
Plantations	1	0	8
Mines	25	46	76
Others	43	36	36
Totals	249	1,177	1,247

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	–	118	95	Broadgate Inv Trust	95		–	–	–	–
–	F.P.	–	33	30	Do. Warrants	33		–	–	–	–
§	F.P.	–	201	187	Chubb Security	187		12.8	2.9	2.0	20.7
–	F.P.	–	15	7	[illegible] Warrants	11		–	–	–	–
–	F.P.	–	32	19	Dwyer A	21		–	–	–	–
–	F.P.	–	91	77	European Smaller Cos	81		–	–	–	–
–	F.P.	–	23	18	Do. Warrants	20	+1	–	–	–	–
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
27	Nil	12/11	5pm	2pm	Aviva Petroleum	2pm	

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sept. 28
- Last Dealings Oct. 9
- Last Declarations Dec. 30
- For settlement Jan. 11

3-month call rate indications are also shown on this page.

Calls in Amber Day, Blue Circle, BTR warrants '93/94, Hillsdown, Pilkington, Proteus Intl., Tarmac and Whitecroft. Put in Dolphin Packaging. Double in Airtours.

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*575)	550	36	50	62	8	16	23
	600	9	25	36	28	43	48
	650	2	10	18	75	80	83
ASDA (*34)	30	5½	7	9	2	3	4
	35	2	5	6	3½	5½	7
	40	1½	3	4	6	9	10½
Brit. Airways (*275)	260	22	31	39	5	14	17
	280	9	[illegible]	29	13	23	27
	300	3½	13	21	[illegible]	[illegible]	39
SmKl Beecham A (*466)	425	46	60	–	1	8	–
	450	26	42	–	5½	14	–
	475	12	29	–	17	28	–
Boots (*449)	420	34	47	58	2½	13	16
	460	10	25	35	20	31	34
B P (*211)	200	15	22	27	3	9	11
	220	4	13	18	13	20	24
British Steel (*58)	50	10½	12	13	2	4	5½
	60	4	7	8½	5	8	10
Bass (*518)	500	25	36	48	15	23	28
	525	11	–	–	[illegible]	–	–
[illegible]							
Kingfisher (*475)	460	26	40	59	7	16	21
	500	11	27	37	28	36	40
Ladbroke (*157)	140	22	30	34	3	8½	13
	160	8	18	24	10	18	24
Land Secur (*390)	360	36	42	48	1½	6½	8½
	390	12	21	28	7½	17	21
M & S (*307)	300	14	25	34	6	14	16
	330	4	13	21	28	30	32
Sainsbury (*462)	460	17	32	42	8	20	24
	500	4	14	25	37	44	46
Shell Trans. (*534)	500	41	54	57	2½	7½	14
	550	6	23	25	21	27	37
Storehouse (*147)	140	11	20	21	8	9½	13
	160	4	9	13	15	20	22
Trafalgar (*84)	80	9	14	21	5	10½	14
	90	5	10	17	11	18	[illegible]
Utd. Biscuits (*300)	280	26	32	[illegible]	4	10	17
	300	10	20	26	11	18	27
Unilever (*1070)	1050	40	69	86	12	29	37
	1100	13	39	55	[illegible]	58	65
Brit Aero (*135)	130	20	29	31	14	24	30
	140	16	27	27	21	28	35
	160	8	18	28	31	41	45
Barclays (*331)	300	47	51	53	6½	13	16
	330	24	32	35	17	26	30
	360	10	19	22	36	45	49
Blue Circle (*124)	110	26	31	32	6	8½	13
	120	20	25	27	10	13	18
	130	15	21	22	16	18	23
British Gas (*237)	220	19	25	27	6	8	13
	240	8	14	15½	15½	17	23
Dixons (*197)	[illegible]	29	35	[illegible]	6	11	14
	200	17	26	29	14	21	24

[illegible]

FT-SE PUTS								
Oct	10	17	35	50	75	110	150	200
Nov	30	40	50	70	90	120	160	200
Dec	38	50	60	80	100	130	170	220
Jan	–	40	50	85	95	105	145	155
Jun †	–	–	–	95	–	140	–	200

October 5 Total Contracts 40,670
Calls 20,463 Puts 20,207
FT-SE Index Calls 8,805 Puts 1,956
Euro FT-SE Calls 187 Puts N/A
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

Industrials	p								
Allied-Lyons	47	Cadburys	35	Hanson	15	Ratners	2½	Land Sec.	32
Amstrad	4	Charter Cons.	44	ICI	85	Reed Intl	42	MEPC	22
Aztec (BSR)	3½	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
BAT Inds	60	Courtaulds	38	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	6
BOC	49	Eurotunnel	32	Lex Service	19	TI	26	BP	22
BTR	35	FKI	8	Lloyds Bank	34	TSB	11½	Burmah Castrol	56
Barclays	28	FNFC	6	Lonrho	8	Tesco	17	Conroy Pet	6
Blue Circle	19	Forte	17	Lucas Inds	11	Thorn EMI	56	Gaelic Res	½
Boots	31	GKN	33	Marks Spencer	25	T & N	15	Premier Cons	2½
Bowater	58	Gen Accident	40	NatWest Bank	26	Unilever	75	Shell	42
Brit Aerospace	30	GEC	17	P & O Dfd	32	Vickers	9	Tusker Res	½
British Steel	8	Glaxo	15	Racal Elect	6	Wellcome	71	■ MINES	
BT	25	Grand Met	34	RHM	14	■ PROPERTY		RTZ	80
		GRE	13	Rank Org	42	Brit Land	15		

Discounting leaves Silentnight down 11%

By Andrew Bolger

SILENTNIGHT Holdings, Europe's biggest manufacturer of beds, said that sterling's devaluation was bad news for the UK furniture trade because it would lead to higher import costs.

The Lancashire-based company said the precise impact the lower pound would make was difficult to predict at this stage, but estimated that 20 per cent of its raw materials were imported.

Silentnight blamed a prolonged period of discounting by UK retailers for an 11 per cent drop in its pre-tax profits to £4.1m (£4.62m) in the six months to August 1.

However, turnover rose by 7 per cent to £70.5m (£65.6m), and the group said its market share had increased.

Mr Bill Davies, executive chairman of the family-controlled group, said: "Further reductions in UK interest rates would assist with a much-needed recovery of consumer confidence."

Mr Davies said the discounting had been an attempt by retailers to stimulate sales.

"Determined efforts are being made to recover margins in the second half, and some early signs of improvements are evident."

Sales by the beds division, rose by 4 per cent to £45.23m, and trading profits advanced from £43.2m to £45.2m.

Ashley Ashwood

Bill Davies, left and Barry McKenzie, finance director, looking for further cuts in interest rates

All four businesses saw a reduction in margins, but were profitable and gained market share.

Sales by the cabinet division increased by 12.5 per cent to £16.31m and trading profits rose from £14.5m to £16.3m.

Homeworthy continued to grow and held margins, while Silentnight Cabinets completed its factory extension.

A new German bed and mattress subsidiary, bought in May, added £1.5m to the international division's trading profits of £9m (£7.9m).

It was expected to contribute to the second-half performance at margins similar to those of the UK businesses.

International sales were down 5 per cent at £7.49m, with volume in the north-east of the US depressed by recession.

Earnings per share were 10 per cent lower at 5.98p (6.64p) but the intermim dividend was maintained at 2.25p.

Trafalgar House stands ground over 1991 results

By Roland Rudd

TRAFALGAR HOUSE, the property, construction and engineering group, is determined not to restate its 1991 financial results following an investigation by the Financial Reporting Review Panel, the new accounting standards watchdog.

Trafalgar, which is under siege from Hongkong Land, has told the panel that it is willing to change its accounting policies by transferring property developments from fixed to current assets.

But according to one of its financial advisers it is adamant that it should not have to restate last year's figures.

If Trafalgar's write-downs of wholly-owned properties and associates had been deducted from the profit and loss account they would have severely reduced last year's £122.4m pre-tax profits.

Asset switch creates consternation

Andrew Jack on reaction to Trafalgar House's accounting practices

THE ACCOUNTING policies adopted in the 1991 accounts by Trafalgar House, the property, construction and engineering group, helped trigger a double-pronged attack from the UK's standards setters earlier this year.

The company's decision to switch a series of properties from current to fixed assets and then write them down caused considerable controversy and concern among commentators.

The tangible fixed assets notes in the accounts show £155.4m reclassified from current assets, offset by a £68m write-down or "deficit on valuation". The fixed assets investment note shows a write-down of £34.7m from the "revaluation of property associates".

Both assets were previously treated as development properties, a type of current asset which has to be shown at the lower of cost or net realisable value under the requirements of the 1985 Companies Act.

That would have required write-downs totalling £102.7m in the profit and loss account, reducing pre-tax profits from the stated £122.4m to £19.7m, and a corresponding reduction in assets.

Instead, the adjustments have all been made on the balance sheet, changing a revaluation reserve of £84m in the previous year to a deficit of £18.7m.

"The treatment adopted gave rise to some interest," said Mr Chris Nunn, a technical partner with accountants Arthur Andersen. "Nobody could say it was wrong, but there was certainly some difference of views."

On one hand, the Financial Reporting Review Panel, the recently-created watchdog of accounting standards, launched an investigation into the specific circumstances surrounding Trafalgar's decision.

On the other, the Urgent Issues Task Force of the Accounting Standards Board (ASB), which drafts new standards, began work on an opinion which would scrutinise existing guidelines and rule on future practice.

It did not mention the company by name, but Trafalgar House is widely accepted to have been the trigger for action. There was a need for clarification, because the Companies Act did not specify how transfers between fixed and current assets should be treated.

The ASB has its own process of devising new standards and putting them out to consultation before they are adopted into the canon of acceptable accounting practices. But it delegates to the task force matters of pressing concern on which it wants to act more swiftly.

Ironically, the task force has already taken action on the subject, issuing its fifth piece of guidance or "abstract" in July, which will not allow Trafalgar's approach to be repeated. It comes into force for year ends on or after December 23 this year.

It states that any transfer from current to fixed assets must be made at the lower of cost and net realisable value. If there has been a diminution in value, that should be charged to the profit and loss account, reflecting the loss while it was a current asset.

Meanwhile, the review panel is continuing to negotiate with Trafalgar House. While the company has made a statement suggesting that it will not repeat the treatment in the future, discussions are continuing on whether it will be required to restate its 1991 accounts.

It is issuing a circular to shareholders today which is expected to contain some clarification. One extreme would be for the review panel to force Trafalgar to go to the expense of re-issuing its 1991 accounts to all shareholders, amended to reflect the changes. The panel is more likely to accept a reworking of the 1991 figures in the next annual report.

Commercial Union agreement with South Korean insurer

By Richard Lapper

COMMERCIAL Union, the UK composite insurer, yesterday announced a co-operation agreement with one of South Korea's leading general insurance companies, Hyundai Marine and Fire Insurance.

CU will provide underwriting and servicing facilities to Korean clients introduced by Hyundai.

The agreement also provides for exchange of market information and mutual co-operation in areas like training.

Hyundai Marine and Fire is a subsidiary of the Hyundai Business Group, one of the largest of the Korean conglomerates.

Hyundai's insurance operations outside Korea include underwriting operations in Japan and representative offices in London, New York and Singapore.

The agreement is one of a number signed in recent years by UK composite companies with partners in South Korea, Japan and other Far Eastern markets.

The composites are keen to develop connections in markets which are gradually liberalising and are seen to have good long-term potential.

CU itself was the first UK insurer to establish a liaison office in South Korea in 1989.

More recently Sun Alliance has linked up with Lucky Insurance.

Abbot offer for Blystad goes unconditional

By Richard Gourlay

THE offer for Blystad, the Norwegian-controlled group which owns KCA Drilling, the profitable oil services company, was made unconditional yesterday.

Abbot Holdings, a private company set up for the purpose of the bid by Mr Alistair Locke, yesterday said it had received irrevocable acceptances for its offer from shareholders speaking for 65.2 per cent of Blystad shares.

Acceptances related to the stake controlled by the three Blystad brothers who are directors.

Last week the Takeover Panel ruled that the bid could proceed, dismissing an argument from independent directors that there had been an arrangement between the Blystad brothers and Abbot.

The Bank of Ireland, Abbot's advisers, estimates that the present value of Abbot preference shares being offered to Blystad shareholders is 5.4p.

This represents a 20 per cent premium to the 4.5p Blystad share price before the bid. This preference share offer values Blystad at £7.5m.

Blystad has not paid a dividend for seven years.

Conder sells second division to Miller

Miller Group, one of the UK's largest private companies, has purchased the second of the three main divisions of Conder Group, the construction company which went into receivership last month, for an undisclosed sum.

Miller Group, a family-run construction business has acquired Conder Projects, which designs and constructs buildings to order.

At the weekend, Conder's receivers sold the company's steel fabricating business for "a significant seven figure sum" to another private company, Melton Medes, run by Indian-born entrepreneur Mr Nathu Ram Puri.

The receivers are believed to be in advanced talks on the disposal of the final of the three divisions, Conder IEL. It was the collapse of talks with Seaboard, the power company, on the sale of this heating and ventilation business that which eventually forced Conder into receivership.

Sage expands via buys in France and the US

By Alan Cane

SAGE GROUP, the Newcastle-based accounting software supplier, is paying an initial £4.4m cash for two acquisitions, one in France, its first in mainland Europe, the other in the US.

It is paying FFr12.5m (£1.4m) for 95 per cent of Ciel, a Paris-based software house – like Sage, a fast-growing supplier of accounting software for small businesses.

There are further revenue-related payments for the former owners, who are staying on as management, to a maximum of £5m during the next two years.

The remaining five per cent is subject to a put and call agreement, providing further incentive for the former owners to improve revenues and profits.

Last year, Ciel's sales were more than FFr18.9m and are expected to be more than FFr25m this year. It is profitable with more than 800 new users each month, but Mr David Goldman, Sage chairman, said the company had yet to exploit recurring revenues from sales of maintenance and stationery.

He expected gross profit margins of above 25 per cent eventually.

Sage is paying $6m (£3.3m) for Remote Control International, a supplier of sales automation software based in San Diego, California. Again there are further revenue-based payments to a maximum of $7m. RCI has some 250,000 customers, including Sage, for its $695 "TeleMagic" package.

Mr Goldman said there was good synergy between TeleMagic and Sage's accounting packages. Other software suppliers were also writing packages to run with TeleMagic. The market for sales automation software was set to rise from $166m in 1992 to $2.5bn in 1997, according to market intelligence surveys, he added.

Sugar transfers stake to Amshold

By Paul Taylor

MR ALAN Sugar, chairman and founder of Amstrad, has transferred his entire 35.4 per cent stake in the consumer electronics group to Amshold, a newly-created Jersey-based holding company which he wholly owns.

Mr Sugar, who is Amstrad's largest shareholder with 205.6m shares, confirmed last week that he was considering taking Amstrad private again as the group reported an unexpectedly large £70.95m full-year pre-tax loss and passed its final dividend.

Amstrad has been struggling as a result of savage price cutting in the personal computer market and shrinking margins in its satellite business.

Mr Sugar is considering the possibility of buying the remaining issued ordinary shares which he does not own at 30p a share, subject to the availability of financing.

BZWIM withdraws offer

By John Authers

BZW Investment Management has withdrawn its offer of £710,000 to take over the management of Temple Bar investment trust from Guinness Mahon.

BZWIM said it was disappointed with the rejection of its offer by Temple Bar, and claimed that it would have increased the trust's net asset value.

The company has also written to Professor Sir Roland Smith, the chairman of Temple Bar, asking him "to clarify to all shareholders precise details of the arrangements between the trust and its managers."

However, BZWIM made clear that it regarded the offer as only "temporarily suspended", and asked Temple Bar to confirm that, in the event of any proposal to change the formal management arrangements, shareholders would be consulted.

SeaCon sees flat results

Sea Containers said it expected third quarter net income to be at a "similar level" to that reported for the third quarter of 1991.

Ferry earnings were expected to be flat, the company added, but container income would be improved over the prior year.

The company also said it had filed the US Securities and Exchange Commission to offer $125m (£70.2m) in senior subordinated debentures due 2004 with Lazard Freres as the sole underwriter.

In the 1991 third quarter, Sea Containers earned $23.1m, or $1.93 a share.

SEET calls off merger talks

SEET, the textile manufacturer, has terminated the merger talks that had been taking place with the Way Group, a private building materials company based in Surrey.

SEET called off the talks because it had not received any financial information from Way.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Chillington Corp ......int	nil	-	0.5	-	0.5
Ldn & Assoc Tst ......int	0.05	Dec 31	0.05	-	0.53
Microfilm ....fin	2.88	Dec 1	2.4	4.32	3.8
Oriel § ....int	2	Nov 26	1.8	-	5
Silentnight ....int	2.25	Jan 4	2.25	-	8
Welsh Industrial ......fin	4.7	Dec 18	4.5	4.7	4.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

NEWS DIGEST

Raglan cuts deficit to £1.6m

PRE-TAX losses for the year to end-March at Raglan Property Trust were £1.6m, against £4m at the previous year-end. Turnover increased from £7.06m to £9.49m.

The pre-tax improvement was achieved after a reduced charge of £960,000 (£3.62m) for property write-offs.

Losses per share were cut to 0.9p (2p).

The directors said the company was continuing to reduce its indebtedness and to unwind outstanding development liabilities initiated in the late-1980s.

Litigation with Security Pacific National Bank had been settled at a figure significantly below the claim and had been provided for in the 1991 accounts, they added.

Having considerably reduced debt, the directors are addressing the task of restructuring the group's balance sheet.

Discussions are under way with its three leading banks on a capital restructuring in order that negotiations with another party could be pursued.

Welsh Industrial up 40% to £140,000

Net revenue of the Welsh Industrial Investment Trust improved by 40 per cent to £106,009 in the year to April 5 1992.

Earnings per share increased to 7.56p (5.29p) and the dividend for the year is being stepped up from 4.5p to 4.7p.

Cooper Clarke lower at £125,000

Cooper Clarke Group, the Bolton-based builders' merchant, reported pre-tax profits of £125,000 for the first six months of 1992 compared with £203,000 in the half year to October 31 1991.

With no sign of an improvement in the construction sector, the USM-quoted company has again passed its interim dividend.

Turnover increased to £11.3m (£10.5m) but pressure on margins continued. The company said profits were struck after bad debts of £129,000.

Earnings per share were 2.2p (3.7p).

Oriel disposal as profits decline

Oriel Group, the USM-quoted insurance broker, yesterday announced the sale of its general insurance broking division and a downturn in profits for the six months ended June 30.

Pre-tax profits fell from £1.6m to £1.2m and earnings per share to 5.27p (7.55p). However, the interim dividend is being increased to 2p (1.8p).

The directors estimated that the disposal of the general insurance broking division to Jardine Insurance Brokers for £5.4m in cash would lead to an exceptional profit of about £1.5m at the year-end after the write-back of goodwill and related costs.

They said the sale would lead to a substantial reduction in head office overheads, would eliminate group borrowings and would give scope to fund further acquisitions in specialist insurance areas.

As a result of the disposal, Mr Martin Harridine, deputy chairman, will leave the group to join Jardine Insurance Brokers.

N American buys for Halma

Halma, the environmental technology group, is buying IPC Resistors of Toronto and IPC Power Resistors International of Kentucky for $1.61m (£900,000) cash with further performance-related payments of up to $300,000, adjusted to include a $170,000 discontinued management fee. Assets were valued at $497,000.

BIL claims 24% of Gibbs Mew

Brierley Investments said that as at October 2 it held or had received acceptances on behalf of 24.08 per cent of Gibbs Mew, the Salisbury-based brewer and property company. Before its 200p a share offer BIL, a New Zealand investment company, held 19.7 per cent.

BIL said that it was an excellent result and urged the brewer to reconsider the offer and also withdraw its planned acquisition of UK D, a drinks distributor.

Chillington shows upturn to £424,000

Pre-tax profits of the Chillington Corporation showed a marked upturn, from £109,000 to £424,000, in the six months to June 30. Turnover dipped slightly from £27.5m to £24.2m.

The company, which has interests in engineering, plantations commodities, property and investments, said improved results had been achieved in all divisions, with tropical agriculture, agricultural hand tools and UK trading each achieving increased profits.

Losses in the manufactured products division had been substantially reduced and it had been trading profitably since April.

Earnings emerged at 0.01p (losses 2.09p). The directors are deferring any decision on the payment of an ordinary dividend until the year end – an interim of 0.5p was paid previously.

LAIT improves 15% to £554,000

Profits of London & Associated Investment Trust, the property company, rose to £554,000 pre-tax for the half year ended June 30, an improvement of 15 per cent over last time's £483,000.

Gross income increased by 17 per cent to £1.97m. Earnings amounted to 0.52p (0.72p) and the interim dividend is a same-again 0.05p.

The directors said current group annual rental income from the UK retail property portfolio of over 500 shops was running in excess of £4m.

Gearing was at a "modest level" and cash deposits stand at £3m.

Kitty Little back in the black

Kitty Little, the USM-quoted manufacturer and marketer of consumer products, returned pre-tax profits of £26,000 in the six months to June 30.

That compared with losses of £65,000 for the half year to July 31 1991 and a deficit of £306,000 for the 1991 year as a whole.

Mr Graham Webster, chairman, said it was difficult to give any indication for the full year but no further deterioration in group profitability was anticipated.

Turnover for the period was £2.69m (£2.05m). Earnings amounted to 0.06p (losses 0.67p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Derwent Valley, London & Manchester, OS Holdings, 3 & U.

Finals- Bailey (Ben) Construction, Barry Wehmiller, Manchester United, Rama Industries, Savage.

FUTURE DATES

Interims-	
Body Shop Intl	Oct. 13
Downiebrae	Oct. 23
Gates (Frank G)	Oct. 12
Hunting	Oct. 16
Radamec	Oct. 15
Scottish Power	[illegible]
Serif	Oct. 14
Finals-	
Compass	Dec. 10
Hidong Estate	[illegible]
Low (William)	Nov. 5
Lylas (S)	Oct. 12
Maunders (John)	Oct. 16
Paterson Zochonis	Oct. 29
Trace Computers	Oct. 9
Wolseley	Oct. 20

Microfilm Reprographics static at £8.23m

By Paul Taylor

MICROFILM Reprographics, the microfilming bureau which has large operations in both the UK and US, yesterday posted flat full year pre-tax profits, but nevertheless increased its dividend by 20 per cent.

Pre-tax profits of £8.23m in the year to June 30 compared with profits of £8.19m last time and came from turnover which slipped slightly to £33.7m (£34.4m).

The results reflect the impact of the recession on both sides of the Atlantic and the effects of the particularly weak dollar on US earnings, partly offset by higher net interest income.

Although the latest results are a sharp contrast to those in the late 1980s, which saw double digit profit and turnover growth in successive years, the group's board said recent acquisitions "should add significantly" to the progress from its traditional business and expects 1993 "will be a particularly successful year."

Earnings per share in the latest full year grew to 10.6p (10.4p) out of which the group is paying a final dividend of 2.88p per share (2.4p) making a total of 4.32p per share, up from 3.6p a year earlier.

During the year the group acquired Memex Information Systems, an information retrieval software company, Sol Microfilm, Micro Reid and DPTS, which is involved in data storage and retrieval primarily for the oil industry.

Since the end of its financial year the group has made two further acquisitions as part of its strategy to broaden the range and geographic area of services it can offer.

Atlanta-based Fort Knox Secured Data Storage was acquired at the end of July for an initial consideration of $860,000. A $300,000 consulting agreement will also be paid to a former stockholder over a four-year period.

Fort Knox provides high security storage and retrieval of paper and magnetic media and will be merged with the group's existing Atlanta office.

In addition Microfilm acquired NCR's computer output microfilm (COM) bureau business last month for an initial cash payment of £1m. A deferred payment of £1 will be paid for every £1 of COM turnover over £1m in the next 12 months.

NCR's COM bureau operates from four sites in the UK and had turnover in the year to November 30 last year of £1.43m. Its operations are being merged with Microfilm Reprographics' existing computer output microfilm business.

Despite the expenditure on the acquisitions the group ended the year with cash reserves of £8.3m, up £1.8m from a year earlier.

Nightmare on the high street for UK retailers

Tenants and landlords in battle over terms of occupation. **John Thornhill and Vanessa Houlder** report

AT A CBI conference held yesterday to discuss the future of commercial leases, Mr David Stathers, director of estates at Boots the Chemist, flashed up a slide to illustrate the relationship between landlord and tenant.

It showed two rams charging headlong at each other.

"I take the view that the current arrangements that govern the terms of occupation between landlord and tenant create conflict," he said.

That conflict has become all too apparent in recent months as the severity of the recession has exposed the severe stresses and strains in the commercial property sector.

Retailers have staged rent strikes against what they regard as "excessive" increases and have begun to lobby vigorously for reform of the 25 year lease, with upwards-only rent reviews every five years, which is almost unknown outside the UK.

The debate was further fuelled by a recent inflammatory study by Professor John Burton, an economist from Birmingham University, which claimed the structural rigidities of the rental market had created a situation of "nightmarish crisis in many components of UK retailing". He argued that commercial leases represented an "institutionalised, legally induced form of cost inflation that is very impervious to market forces" and should be reformed by government statute.

This proposal has prompted a furious response from the property industry, which promises to fight any changes to existing leases tooth and nail.

For one thing, the property industry believes the changes suggested by Mr Burton would severely damage property values by destroying the security of investors' income. "It would be devastating. It would send the market into turmoil," says Mr Richard Lay, chairman of Debenham Tewson & Chinnocks, the property adviser.

For another, landlords argue that contracts freely entered into should be upheld. The Prudential, one of the country's largest property investors, says it would appeal to the European Court to overturn any moves to the contrary, which it claims would amount to confiscation.

Landlords do not even agree with the proposition that the existing system is inflationary and unfair on tenants. Mr Christopher Edwards, director of Property Portfolio Management at the Prudential, maintains that five yearly review patterns cushion tenants against annual rent rises. He estimates that on average UK tenants were paying just 60-70 per cent of market rents at the end of last year.

Moreover, landlords point out that tenants benefited from the existing system in the 1980s, by assigning their unwanted leases to other traders in return for large premiums. They also maintain that retailers are suffering from the consequences of their own actions, by bidding up rents to unsustainable levels in the late 1980s.

But their overriding argument is that ultimately tenants' interests coincide with their landlords. If leases became more flexible, institutions would invest less in property, the supply of new buildings would dry up and rents would rise. "The simple truth is that any increase in the investor's risk will have to be paid for," says Mr Edwards.

Tenants identify their most pressing concerns as:

- An end to 25-year leases. Although tenants like a degree of security they dislike the financial responsibility and inflexibility associated with such long leases.
- An end to upwards-only clauses in rent reviews. The upwards-only ratchet is seen as unfair and inflationary, at a time when rents on new leases are falling.
- An end to "privity of contract", which allows landlords in England and Wales to claim unpaid rent from previous tenants if the existing tenant defaults. The Conservative party manifesto at the last election promised to consider changes, after an outcry from companies which were faced with crippling demands for rent under leases they passed on years ago. In its latest set of accounts, for example, Boots took a £5.8m provision against the anticipated costs relating to transferred leases where the assignees had defaulted.
- Changes to the method of determining rent reviews to reflect the quantity of vacant property on the market, the state of the economy, the ability of tenants to pay and concessions granted to new tenants, such as rent-free periods.
- An end to confidentiality clauses, which critics claim obscure and often inflate market rents by deliberately limiting the information essential for an efficient market.

Despite the rhetoric of many property investors, the structure of new leases is already changing. Investment companies, which do not need to sell their properties to institutions, are already granting flexible leases. MEPC, the UK's second largest property company, recently gave Chemical Bank the right to break its lease on Alban Gate, its City flagship, after one, five and fifteen years.

Property owners are making a virtue out of the need to grant shorter leases, which forces them to work their property more energetically. "For too long landlords have been passive, absent rent collectors but they have to become more involved in actively managing their property assets," says Mr Roger Carey, managing director of Slough Estates.

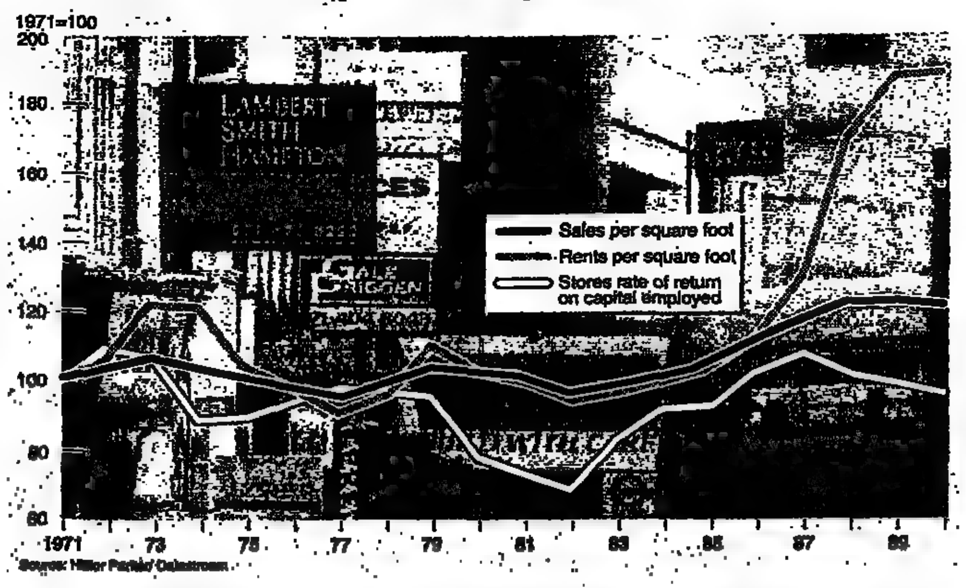
There is also a growing acceptance that the rent review process should be improved. Confidentiality clauses have few defenders and arbitrators are taking more account of the state of the economy when deciding rent reviews.

Some concessions on privity of contract would also be accepted by landlords. The CBI, for instance, has support for its proposal that tenants get an automatic right to reoccupy premises for which they have become liable.

Modest amendments like these have a good chance of being adopted. But while some practices are gradually evolving in the light of new market conditions, there is little prospect of root and branch reform to the underlying structure.

The conflict between the immediate pressures of the recession and the long term investment horizons of institutions is unlikely to be resolved.

Stores: Rents and profitability



Source: Hillier Parker/ Oakstream

Greenalls buys hotel and country club from receivers for £10.3m

By Philip Rawstorne

GREENALLS Group, which operates the De Vere hotel chain, has bought the Belton Woods hotel and country club in Grantham, Lincolnshire, for £10.3m.

The acquisition, from administrative receivers KPMG Peat Marwick, of the 96-bedroom hotel and 36-hole golf complex brings the number of leisure resort hotels in the De Vere chain to three. It already owns The Belfry and Mottram Hall in Cheshire.

De Vere, which operates 25 hotels, plans to concentrate on golfing, business and conference hotels. Mr Andrew Thomas, Greenalls' chairman and chief executive, said: "Our experience shows that the demand from both business and leisure for golf-related four star hotels is growing."

The group opened a new hotel in Swindon earlier this year and recently opened a £10m extension to the Grand Hotel in Brighton.

Profits from the group's hotel operations declined by 11 per cent to £6m in the half-year to March. However, last year the division contributed £15.58m – 20 per cent of the group's operating profits.

Stylo halves interim losses to £2.65m

STYLO, the footwear manufacturer and retailer, cut its pre-tax losses from £5.67m to £2.65m in the six months to August 1. The company said there had been an improvement in almost all divisions.

Mr Arnold Ziff, chairman, said that if the present trend continued he hoped that the Bradford-based company would be in profit at the end of the year. Last year there was a loss of £9.06m.

He added that the improvement had continued in the first few weeks of the second half.

Turnover for the period was up from £41.1m to £46.7m and there was a trading profit of £1.6m, against losses of £1.97m. The net interest charge increased to £2.76m (£2.28m).

Losses per share emerged at 13.16p (29.62p).

Aegis plans to cancel its market listings in New York and Paris

By Gary Mead, Marketing Correspondent

AEGIS, the media buying group, is cancelling its listings in Paris and New York with effect from October 30.

Aegis has analysed trading in its shares for the first eight months of 1992 and found that more than 99 per cent of all trading volume was conducted in London.

"London is where all the liquidity is, where all the institutions want to deal, whatever their nationality. All our banking and brokering arrangements are in London, so London seemed the logical place for the company to be listed," the company said.

Aegis estimated that the withdrawal would mean annual savings of more than £250,000.

The delisting puzzled some analysts yesterday . Aegis' shares have collapsed from more than 200p a year ago to 17p yesterday.

"It's a thoroughly negative move. With the company's decision to relocate its headquarters from London to Paris, it was more important to develop the French listing rather than get rid of it," said one.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 5, 1992 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	58.3823	41.4830	48.8314
Albania	(Lek)	186.670	109.806	78.0229	91.8425
Algeria	(Dinar)	34.8734	20.5137	14.5761	17.1578
Andorra	(Fr Fr)	8.1175	4.775	3.3928	3.9938
	(Sp Peseta)	170.80	100.471	71.3897	84.0344
Angola	(Kwanza)	953.345	560.791	398.472	469.05
Antigua	(E Carr $)	4.5819	2.6952	1.9151	2.2543
Argentina	(Peso)	1.6855	0.9914	0.7044	0.8292
Aruba	(Florin)	3.0376	1.7868	1.2696	1.4945
Australia	(Aus $)	2.3450	1.3794	0.9801	1.1537
Austria	(Schilling)	16.7650	9.8617	7.0073	8.2484
Azores	(Port Escudo)	213.75	125.735	89.3416	105.166
Bahamas	(Bahama $)	1.7000	1	0.7105	0.8364
Bahrain	(Dinar)	0.6470	0.3805	0.2704	0.3183
Balearic Is	(Sp Peseta)	170.80	100.471	71.3897	84.0344
Bangladesh	(Taka)	66.0982	38.8812	27.6272	32.5206
Barbados	(Barb $)	3.4132	2.0077	1.4266	1.6793
Belgium	(Belg Fr)	49.05	28.8529	20.5015	24.1328
Belize	(B $)	3.3940	1.9964	1.4185	1.6698
Benin	(CFA Fr)	405.875	238.75	169.645	199.692
Bermuda	(Bermudian $)	1.7000	1	0.7105	0.8364
Bhutan	(Ngultrum)	48.10	28.2941	20.1044	23.6659
Bolivia	(Boliviano)	6.8050	4.0029	2.8443	3.348
Botswana	(Pula)	3.5361	2.08	1.4779	1.7397
Brazil	(Cruzeiro)	11149.0	6558.24	4659.98	5485.36
Brunei	(Brunei $)	2.7135	1.5961	1.1341	1.335
Bulgaria	(Lev)	43.00	25.2941	17.9728	21.1562
Burkina Faso	(CFA Fr)	405.875	238.75	169.645	199.692
Burma	(Kyat)	11.3075	6.6514	4.7262	5.5633
Burundi	(Burundi Fr)	377.00	221.765	157.576	185.486
Cambodia	(Riel)	2545.50	1497.35	1063.95	1252.4
Cameroon	(CFA Fr)	405.875	238.75	169.645	199.692
Canada	(Canadian $)	2.1320	1.2541	0.8911	1.0489
Canary Is	(Sp Peseta)	170.80	100.471	71.3897	84.0344
Cp. Verde	(CV Escudo)	106.2831	62.5194	44.4234	52.2918
Cayman Is	(CI $)	1.4425	0.8485	0.6029	0.7097
Cent.Afr. Rep	(CFA Fr)	405.875	238.75	169.645	199.692
Chad	(CFA Fr)	405.875	238.75	169.645	199.692
Chile	(Chilean Peso)	654.33	384.9	273.492	321.934
China	(Renminbi Yuan)	9.5731	5.6312	4.0012	4.71
Colombia	(Col Peso)	1062.41	624.947	444.059	522.711
CIS	(Rouble)	0.9453o	0.556	0.3951	0.465
		538.59m	316.818	225.116	264.989
Comoros	(CFA Fr)	405.875	238.75	169.645	199.692
Congo (Brazz)	(CFA Fr)	405.875	238.75	169.645	199.692
Costa Rica	(Colon)	230.5375	135.61	96.3584	113.426
Côte d'Ivoire	(CFA Fr)	405.875	238.75	169.645	199.692
Cuba	(Cuban Peso)	1.2853	0.756	0.5372	0.6323
Cyprus	(Cyprus £)	0.7150	0.4205	0.2988	0.3517
Czechoslovakia	(Koruna)	45.155c	26.5617	18.8735	22.2164
		43.32t	25.4823	18.1065	21.3136
Denmark	(Danish Kroner)	9.2900	5.4647	3.8829	4.5707
Djibouti Rep	(Djib Fr)	300.00	176.471	125.392	147.601
Dominica	(E Carib $)	4.5819	2.6952	1.9151	2.2543
Dominican Rep	(D Peso)	21.6028	12.7075	9.0293	10.6286
Ecuador	(Sucre)	3097.02o	1821.78	1294.47	1523.75
		3394.00a	1996.47	1418.6	1669.86
Egypt	(Egyptian £)	5.6800	3.3411	2.374	2.7945
El Salvador	(Colon)	14.6181	8.5988	6.1099	7.1921
Equat'l Guinea	(CFA Fr)	405.875	238.75	169.645	199.692
Ethiopia‡	(Ethiopian Birr)	8.3977	4.9398	3.51	4.1317
Falkland Is	(Falk £)	1.00	0.5882	0.4179	0.492
Faroe Is	(Danish Kroner)	9.2900	5.4647	3.8829	4.5707
Fiji Is	(Fiji $)	2.5650	1.5088	1.0721	1.2619
Finland	(Markka)	7.6990	4.5288	3.2179	3.7879
France	(Fr)	8.1175	4.775	3.3928	3.9938
Fr Cty/Africa	(CFA Fr)	405.875	238.75	169.645	199.692
Fr. Guiana	(Local Fr)	8.1175	4.775	3.3928	3.9938
Fr. Pacific Is	(CFP Fr)	144.00	84.7058	60.188	70.8487
Gabon	(CFA Fr)	405.875	238.75	169.645	199.692
Gambia	(Dalasi)	14.3057	8.4151	5.9793	7.0384

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Germany	(D-Mark)	2.3925	1.4073	1	1.1771
Ghana	(Cedi)	825.00	485.294	344.828	405.904
Gibraltar	(Gib £)	1.00	0.5882	0.4179	0.492
Greece	(Drachma)	308.375	181.397	128.892	151.722
Greenland	(Danish Krone)	9.2900	5.4647	3.8829	4.5707
Grenada	(E Carr $)	4.5819	2.6952	1.9151	2.2543
Guadaloupe	(Local Fr)	8.1175	4.775	3.3928	3.9938
Guam	(US $)	1.7000	1	0.7105	0.8364
Guatemala	(Quetzal)	9.0450	5.3205	3.7805	4.4501
Guinea	(Fr)	1378.4561	810.857	576.157	678.207
Guinea-Bissau	(Peso)	8485.00	4991.18	3546.5	4174.66
Guyana	(Guyanese $)	212.9565	125.269	89.01	104.776
Haiti	(Gourde)	16.9700	5	7.0929	8.3493
Honduras	(Lempira)	10.1989	5.9993	4.2626	5.0179
Hong Kong	(HK $)	13.1700	7.747	5.5047	6.4797
Hungary	(Forint)	130.5163	76.7742	54.5522	64.2146
Iceland	(Icelandic Krona)	92.6745	54.5144	38.7354	45.5963
India	(Indian Rupee)	48.10	28.2941	20.1044	23.6659
Indonesia	(Rupiah)	3519.85	2070.5	1471.2	1731.78
Iran	(Rial)	2479.0v	1458.24	1036.15	1219.68
		108.30o	63.7058	45.2664	53.2841
Iraq	(Iraqi Dinar)	0.5936	0.3491	0.2481	0.292
Irish Rep	(Punt)	0.9100	0.5352	0.3803	0.4477
Israel	(Shekel)	4.2400	2.4941	1.7722	2.0861
Italy	(Lira)	2235.50	1315	934.378	1099.88
Jamaica	(Jamaican $)	37.2090	21.8876	15.5523	18.307
Japan	(Yen)	203.25	119.559	84.9529	100
Jordan	(Jordanian Dinar)	1.1228	0.6604	0.4692	0.5524
Kenya	(Kenya Shilling)	57.5283	33.8401	24.0452	28.3042
Kiribati	(Australian $)	2.3450	1.3794	0.9801	1.1537
Korea North	(Won)	3.6486	2.1462	1.525	1.7951
Korea South	(Won)	1352.00	795.294	565.099	665.191
Kuwait	(Kuwaiti Dinar)	0.49628	0.2918	0.2073	0.2441
Laos	(New Kip)	1213.3550	713.738	507.149	596.977
Lebanon	(Lebanese £)	4204.10	2473	1757.2	2068.44
Lesotho	(Maloti)	4.8220	2.8364	2.0154	2.3724
Liberia	(Liberian $)	1.7000	1	0.7105	0.8364
Libya	(Libyan Dinar)	0.4427	0.2604	0.185	0.2178
Liechtenstein	(Swiss Fr)	2.0850	1.2264	0.8714	1.0258
Luxembourg	(Lux Fr)	49.05	28.8529	20.5015	24.1328
Macao	(Pataca)	13.5407	7.9651	5.6596	6.662
Madagascar	(MG Fr)	2569.70	1511.59	1074.06	1264.31
Madeira	(Port Escudo)	213.75	125.735	89.3416	105.166
Malawi	(Kwacha)	6.6862	3.933	2.7946	3.2896
Malaysia	(Ringgit)	4.2620	2.507	1.7814	2.0969
Maldive Is	(Rufiya)	18.5737	10.9257	7.7633	9.1383
Mali Rep	(CFA Fr)	405.875	238.75	169.645	199.692
Malta	(Maltese £)	0.5130	0.3017	0.2144	0.2523
Martinique	(Local Fr)	8.1175	4.775	3.3928	3.9938
Mauritania	(Ouguiya)	129.1078	75.9457	53.9635	63.5216
Mauritius	(Maur Rupee)	24.8170	14.5982	10.3728	12.21
Mexico	(Mexican Peso)	5122.275	3013.1	2140.97	2520.18
Miquelon	(Local Fr)	8.1175	4.775	3.3928	3.9938
Monaco	(French Fr)	8.1175	4.775	3.3928	3.9938
Mongolia	(Tugrik)	67.8800	39.9294	28.3719	33.3972
Montserrat	(E Carr $)	4.5819	2.6952	1.9151	2.2543
Morocco	(Dirham)	13.5002	7.9412	5.6427	6.6421
Mozambique	(Metical)	4610.732	2712.2	1927.16	2268.5
Namibia	(S A Rand)	4.8220	2.8364	2.0154	2.3724
Nauru Is	(Australian $)	2.3450	1.3794	0.9801	1.1537
Nepal	(Nepalese Rupee)	79.1311	46.5477	33.0746	38.9328
Netherlands	(Guilder)	2.6925	1.5838	1.1253	1.3247
N'nd Antilles	(A/Guilder)	3.0376	1.7868	1.2696	1.4945
New Zealand	(NZ $)	3.1318	1.842	1.3088	1.5407
Nicaragua	(Gold Cordoba)	9.1299	5.3705	3.816	4.4919
Niger Rep	(CFA Fr)	405.875	238.75	169.645	199.692
Nigeria	(Naira)	31.3097	18.45	13.0866	15.4045
Norway	(Nor. Krone)	9.7800	5.7529	4.0877	4.8118
Oman	(Rial Omani)	0.6607	0.3886	0.2761	0.325

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	42.60	25.0588	17.8056	20.9594
Panama	(Balboa)	1.7000	1	0.7105	0.8364
Papua New Guinea	(Kina)	1.6480	0.9694	0.6888	0.8108
Paraguay	(Guarani)	2623.56	1543.27	1096.58	1290.8
Peru	(New Sol)	2.5800	1.5176	1.0783	1.2693
Philippines	(Peso)	41.30	24.2941	17.2622	20.3198
Pitcairn Is	(£ Sterling)	1.00	0.5882	0.4179	0.492
	(NZ $)	3.1315	1.842	1.3088	1.5407
Poland	(Zloty)	24139.0	14199.4	10089.4	11876.5
Portugal	(Escudo)	213.75	125.735	89.3416	105.166
Puerto Rico	(US $)	1.7000	1	0.7105	0.8364
Qatar	(Riyal)	6.2463	3.6742	2.6107	3.0732
Reunion Is. de la	(F/Fr)	8.1175	4.775	3.3928	3.9938
Romania	(Leu)	749.10q	440.647	313.103	368.561
Rwanda	(Fr)	239.15	140.676	99.9582	117.663
St Christopher	(E Carr $)	4.5819	2.6952	1.9151	2.2543
St Helena	(£)	1.00	0.5882	0.4179	0.492
St Lucia	(E Carr $)	4.5819	2.6952	1.9151	2.2543
St Pierre	(French Fr)	8.1175	4.775	3.3928	3.9938
St Vincent	(E Carr $)	4.5819	2.6952	1.9151	2.2543
San Marino	(Italian Lira)	2235.50	1315	934.378	1099.88
Sao Tome	(Dobra)	407.280	239.576	170.232	200.384
Saudi Arabia	(Riyal)	6.4355	3.7856	2.6898	3.1662
Senegal	(CFA Fr)	405.875	238.75	169.645	199.692
Seychelles	(Rupee)	8.3000	4.8823	3.4691	4.0836
Sierra Leone	(Leone)	838.75	493.382	350.575	412.669
Singapore	($)	2.7135	1.5961	1.1341	1.335
Solomon Is	($)	5.0445	2.9673	2.1084	2.4819
Somali Rep	(Shilling)	4446.14	2615.38	1858.37	2187.52
South Africa	(Rand)	4.8220c	2.8364	2.0154	2.3724
		8.2095g	4.8291	3.4313	4.0391
Spain	(Peseta)	170.80	100.471	71.3897	84.0344
Spanish Ports in N Africa	(Sp Peseta)	170.80	100.471	71.3897	84.0344
Sri Lanka	(Rupee)	74.90	44.0588	31.3061	36.8511
Sudan Rep	(Dinar)	16.9700	9.9823	7.0929	8.3493
Surinam	(Guilder)	3.02	1.7764	1.2622	1.4858
Swaziland	(Lilangeni)	4.8220	2.8364	2.0154	2.3724
Sweden	(Krona)	9.1025	5.3544	3.8045	4.4784
Switzerland	(Fr)	2.0850	1.2264	0.8714	1.0258
Syria	(£)	35.6370	20.9629	14.8952	17.5335
Taiwan	($)	42.95	25.2647	17.9519	21.1316
Tanzania	(Shilling)	543.04	319.435	226.976	267.178
Thailand	(Baht)	42.80	25.1764	17.8892	21.0578
Togo Rep	(CFA Fr)	405.875	238.75	169.645	199.692
Tonga Is	(Pa Anga)	2.3450	1.3794	0.9801	1.1537
Trinidad/Tobago	($)	7.7214	4.542	3.2273	3.7989
Tunisia	(Dinar)	1.4303	0.8413	0.5978	0.7037
Turkey	(Lira)	12760.00	7510.59	5336.68	6281.92
Turks & Caicos	(US $)	1.7000	1	0.7105	0.8364
Tuvalu	(Australian $)	2.3450	1.3794	0.9801	1.1537
Uganda	(New Shilling)	2025.81	1191.65	846.734	996.708
U A E	(Dirham)	6.3020	3.707	2.634	3.1006
United Kingdom	(£)	1.00	0.5882	0.4179	0.492
United States	(US $)	1.7000	1	0.7105	0.8364
Uruguay	(Peso)	5561.06	3271.21	2324.37	2736.07
Vanuatu	(Vatu)	192.00	112.941	80.2507	94.4649
Vatican	(Lira)	2235.50	1315	934.378	1099.88
Venezuela	(Bolivar)	118.1367	69.4921	49.3779	58.1238
Vietnam	(Dong)	18497.30	10880.8	7731.37	9100.76
Virgin Is-British	(US $)	1.7000	1	0.7105	0.8364
Virgin Is-US	(US $)	1.7000	1	0.7105	0.8364
Western Samoa	(Tala)	4.1461	2.4388	1.7329	2.0399
Yemen (Rep of)	(Rial)	28.0005	16.4708	11.7034	13.7763
Yemen (Rep of)	(Dinar)	0.7891	0.4641	0.3298	0.3882
Yugoslavia	(New Dinar)	383.1991	225.411	160.167	188.536
Zaire Rep	(Zaire)	1637000	962941	684222	805412
Zambia	(Kwacha)	334.3090	196.652	139.732	164.482
Zimbabwe	($)	8.6292	5.076	3.6067	4.2456

Special Drawing Rights October 2, 1992 United Kingdom £0.841326 United States $1.46557 Germany D Mark 2.07161 Japan Yen175.065
European Currency Unit Rates October 5, 1992 United Kingdom £0.818015 United States $1.39013 Germany D Mark 1.94688 Japan Yen165.732

Abbreviations. (a) Free rate; (b) Banknote rate, (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate, (h) Exports, (i) Non commercial rate; (j) Business rate, (k) Buying rate; (l) Luxury goods, (m) Market rate; (n) Public transaction rate, (o) Official rate, (p) preferential rate, (q) convertible rate, (r) parallel rate, (s) Selling rate, (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate , ‡Ethiopia: Birr devalued against US$ by approx 58.6%, Oct 1, 1992.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5
Monday, October 5, 1992

Metals prices drop again after poor economic data

By Kenneth Gooding, Mining Correspondent

WIDESPREAD gloom about worldwide economic activity took its toll at the London Metal Exchange yesterday. *Prices, which all finished* last week lower than they started, again fell across the board.

The situation was aggravated by the Chinese, who previously this year emerged as big buyers and helped to support prices. Yesterday they changed tactics, selling copper and aluminium, the LME's most heavily-traded metals.

Mr Nick Moore, analyst at Ord Minnett, part of the Westpac banking group, said metals had been "whiplashed by a torrent of poor economic data" from the US, Japan and by the Organisation of Economic Co-operation and Development which said gross domestic product growth in member countries would not exceed 1.5 per cent this year when it predicted 2.2 per cent growth at the beginning of 1992.

"The past week is one in which the metal markets realised that metal demand growth was not going to ride to the rescue," he added.

"The onus is back squarely on metal producers. The choice is simple – cut back refined metal output or spend another *year in purgatory*."

According to Ms Lesley Campbell, trader at Rudolf Wolff, part of the Noranda natural resources group, there have been occasions in the past year when big players in the LME's copper, aluminium and zinc markets provided price support – "more than the fundamentals have justified." She added: "Too many blind eyes have been turned away from the fundamentals for too long."

Zinc, which has been buoyed by an options-related technical squeeze for much of this year, showed the biggest fall yesterday. Zinc for delivery in three months was down nearly 3.5 per cent from Friday's close or by $44 a tonne to $1,243.50.

At one point on the LME yesterday nickel for delivery in three months fell to $6,630, its lowest level since February 1990, nearly $1,100 below the best price this summer and only marginally above $3 a lb – a level which holds tremendous psychological importance for the producers and for market sentiment. The price recovered slightly later to close at $6,640 a tonne, down $110 or 1.6 per cent on Friday's close.

Cotton surplus likely for third year in spite of production fall

By Nancy Dunne in Washington

WORLD cotton production is expected to dip during 1992-93, but world storehouses are bulging with the largest surplus in years and global production is likely to exceed consumption for the third consecutive year.

The outlook, according to the International Cotton Advisory Committee in Washington, is for continued high stocks, a 3.6 per cent rise in global consumption, but lower prices in 1993. Almost three-quarters of the world's cotton is now produced in five countries: China, the US, India, Pakistan and Uzbekistan.

This year, US producers planted 600,000 hectares less than in the previous year in response to government set-asides and because heavy rains in Texas prevented or destroyed plantings. However, in 1993, the committee expects a *production rebound* in the US from 3.48m tonnes to 3.74m tonnes.

Output is expected to fall slightly in China and India while rising slightly in Pakistan and the Commonwealth of Independent States. Although the US agriculture department maintains an optimistic forecast for American cotton exports, producers and analysts are concerned about new competitors encroaching on markets where US exporters have made gains in recent years – particularly in East Asia.

In Europe, the US is losing ground to exports from central Asian republics, now freed of the necessity to send their goods to Russia and Ukraine and hungry for the hard currency which the west can provide. The largest decline in consumption in western Europe was in Germany, where cotton use fell as imports of lower priced apparel surged.

French mill use fell an estimated 13,000 tonnes to 100,000 in 1991-92, the fifth consecutive year of decline. Some analysts say that current fashion trends favour the use of chemical fibres, but increased competition from coarse count cotton yarn imports may be encouraging a shift in the structure of French mill use. US demand for cotton and cotton products is expected to continue to grow next year, making it the seventh season out of eight for expanded use.

"The US cotton textile industry demonstrated great strength during a season in which the US economy was in recession," the committee said in its most recent report.

Comibol tries to regain access to mines

By Chris Philipsborn in La Paz

COMIBOL, Bolivia's state mining corporation, has sacked 19 miners and started legal action against three union officials in an attempt to regain access to mines closed by industrial action.

The long-running conflict between the government and miners over the introduction of joint venture and leasing contracts is now threatening to develop into open warfare. Victor Baldivieso, a union leader, said the sackings would lead to "confrontations, sacrifice, and the putting at risk of lives to defend the country's mines". Mr Baldivieso has warned that his members may occupy the mines of state mining corporation Comibol in protest at the government's actions.

The 19 miners sacked by Comibol are blocking the three entrances to the Rasna mine, which was recently subject to a joint venture deal with Cominesa, a subsidiary of Hexagon Resources of the US. The mining ministry is now planning similar action in two further mining works – Colquiri and Catavi – recently handed over to private firms but currently closed by industrial action.

The attempts of both Comibol and the mining ministry to force through joint venture and leasing deals in spite of union opposition is a sign of growing desperation.

In addition, it is unlikely that the World Bank, at present withholding a $35m mining credit in protest at the slow pace of change at Comibol, will release the funds until the three occupied mining operations are back in production.

Aluminium transforms the fortunes of a city

Kenneth Gooding looks at a smelter which may become one of the world's biggest

Mr Jean-Marc Dion, mayor of Sept-Iles, remembers when his city, on the far north shore of the St Lawrence River, was dying.

Once simply a trading outpost of the Hudson Bay Company, Sept-Iles boomed in the 1950s when the Iron Ore Company of Canada started mining and processing in the region. But in the 1980s its fortunes faded as the Iron Ore Company cut back.

"People were coming into my office and saying they were desperate. They had to leave because there were no jobs," recalls Mr Dion, an energetic 69-year-old. He and the city's Industrial Commissioner, Mr Giles Dechamplain, set off to Europe to drum up new business to keep their city alive.

Those European visits paid handsome returns. Today, Sept-Iles is the location of the Alouette aluminium smelter, which produced its first metal in June and is destined to become one of the world's biggest. Many other towns in Quebec, seemingly better-placed on the map because they were closer to Quebec City or Montreal, were also desperate for new industrial investment. The C$1.4bn (£645m) project's construction – at the peak 2,800 were employed – has helped Sept-Iles (population 27,000) to come virtually unscathed through the recession so far.

For much of the time, Mr Dion worked in concert with Quebec officials, particularly those from the Société Générale de Financement (SGF), the province's industrial agency. Quebec has an abundance of low-cost hydro-electric power which can be distributed only relatively short distances. However, it can be exported if "stored" in aluminium. Producing this metal consumes huge amounts of electricity – today's average-sized aluminium smelter requires as much energy as a town with 500,000 inhabitants – so SGF has been encouraging more aluminium production to come to Quebec.

Nine European and US companies made their way to Sept-Iles to investigate. Five formed a consortium to build the smelter. At that point, Mr Dion went to his friend Mr Brian Mulroney, once president of the Iron Ore Company, but now Canada's prime minister. He reminded Mr Mulroney of his promise to help, as did SGF and the Quebec-owned power company, Hydro Quebec.

The Canadian government promised C$90m to improve Sept-Iles harbour, the second largest in Canada in terms of tonnages handled, and another C$14m for a car ferry to link the city with others on the St Lawrence north shore.

The consortium got off to a bad start when Reynolds Metals, the second-largest US aluminium group which was to have managed the project, dropped out. In spring 1989, VAW Aluminium of Germany took Reynolds' place. Although questions were raised about the group's lack of experience in managing big international projects, the go-ahead for the smelter was given in September 1989. The consortium's other members were SGF; Hoogovens of the Netherlands; Austria Metall and a Japanese joint-venture between Kobe Steel and Marubeni.

The project did indeed seem ill-fated because at the start of 1990 a big pocket of clay was discovered on the 115-hectare site which which previously was thought to be solid rock. Faced with extra expenditure, the consortium made cuts to bring costs back within the previous budget. Positions of some buildings were changed so that the car park now sits on the clay pocket but the most important changes involved the cast house, which was simplified, and the baking furnace, where a change was made to the technology from Pechiney of France. This had a lower capital cost but cost more to operate.

Mr Otto Niederhofer, president of VAW Aluminium Canada, says some important decisions had already been made when his company moved in to the consortium. The smelter would use Pechiney's AP-30 technology (the same as the state-owned group is using at its own new Dunkirk smelter in France) and that Bechtel-SNC-Lavalin would do the construction work.

Eventually the smelter will employ 531. More than 10,000 people applied for these relatively few jobs – an indication of the recession gripping Canada. Most employees, who will earn about C$40,000 a year, live in Sept-Iles or the local region. Mr Niederhofer points out that winters in the area are severe and living conditions are not easy, "so it was important to hire local people who are used to this".

The consortium benefited from the recession by getting low prices on some equipment and a trouble-free construction job when the St Lawrence north shore previously had a reputation for labour disputes. There have been no attempts to unionise the smelter.

The Alouette consortium is unusual because for tax reasons each of the five partners owns 20 per cent of the smelter directly. They pay equal fees to the smelter's management company, and to VAW, as the technical co-ordinator and manager of the project, and to Pechiney for its technology.

Each must find buyers for its share of the aluminium produced and provide its share of the alumina, the essential raw material. The partners can buy alumina from whatever source suits them but they must swap it for material from Gove in New South Wales, Australia, which is the only alumina used by Alouette.

There was an extensive training programme from early on in the project to ensure a smooth start-up – 127,000 man hours so far – which included sending about 50 people for two to eight weeks' training at VAW's smelters in Germany or to Pechiney's in France.

This effort seems to have paid off. Start-up was on schedule on June 1 and has been uneventful. Mr Niederhofer says this is "amazing" given the size of the project, the number of people involved and the *remoteness of the region*.

Alouette will produce about 70,000 tonnes of aluminium this year and by the end of December be running at its annual capacity rate of 215,000 tonnes.

The budget included most of the preparation work for a second phase to double capacity. Mr Niederhofer says the partners are "broadly in favour" of the expansion but present low aluminium prices and uncertainties about aluminium exports from Russia are holding up this decision.

Most of Alouette's metal will be absorbed by the partners' downstream activities, mostly in Europe as it is cheaper to *ship aluminium from the* smelter than to truck it to the US. However, SGF will retain some metal in Quebec where it wants to encourage some aluminium fabricating businesses to be set up.

The partners are silent on the key question of costs. About half the smelter's costs are accounted for by electricity but they have signed a confidentiality agreement which prevents them giving details of the 25-year risk-and-profit-sharing contract with Hydro Quebec. This is linked to the market price of aluminium but with a floor and ceiling.

The electricity contract also covers the second phase of the project and Mr Niederhofer says the partners are under no immediate pressure because they have until the end of 1994 to tell the power company whether they will go ahead.

Of course, Mr Dion wants the the smelter to double capacity as quickly as possible. Even in its first phase, Alouette will rank as the second-largest contributor to his city's C$31m annual budget. Mr Dion, a Liberal Party member, is celebrating 20 years as mayor and the success of the smelter project has reinforced his popularity. He comes up for re-election in November next year and if he stands again the people of Sept-Iles will almost certainly vote him back into office.

Australian mint launches a one kilogram platinum coin

By Kenneth Gooding, Mining Correspondent

AUSTRALIA IS attempting to breath some life back into the platinum investment market by launching three big legal tender coins, containing two troy ounces, 10 ounces and one kilogram of the precious metal.

This follows the success it achieved with gold coins of the same sizes last year which helped Australia topple Canada's Maple Leaf gold bullion coin from market leadership, boosting market share from 15 per cent in 1990 to 35 per cent last year (see table).

Mr Don Mackay-Coghill, managing director of GoldCorp Australia, operator of the Perth Mint which issues the coins by arrangement with the Australian government, said at the launch in London yesterday that he expected to lift Australia's platinum coin sales from about 65,000 ounces last year to 100,000 ounces.

GoldCorp already has market leadership in platinum coins after launching smaller coins in November 1988. He claimed GoldCorp had a 60 per cent share of the market, the Royal Canadian Mint 30 per cent with the Isle of Man's Noble coin accounting for the rest.

Mr Mackay-Coghill said the new large coins – each of 99.95 per cent pure platinum – should help to lift platinum coin sales in Japan.

He said the new products would be the first platinum coins competitive in price with bullion bars while offering the security of what amounted to a government guarantee. They would be sold into the distribution network at premiums over the metal price of only 2.5 per cent for the two ounce coins, 2 per cent for the 10 ounce, and 1 per cent for the kilo coin.

GOLD COINS 1991

	Troy oz.
Aus Kangaroo	889,562
Can Maple Leaf	412,743
US Eagle	347,321
SA Krugerrand	296,840
Austr. Philharmoniker	277,202
Mex Centenario	186,789
UK Britannia	11,027
TOTAL	2,221,484

Source: The Gold Institute

WORLD COMMODITIES PRICES

MARKET REPORT

London **GOLD** pushed higher *out of its range of the past two* weeks on fresh US fund buying on Comex against a background of volatile currencies and falling share markets. Dealers said expected resistance at $350 a troy ounce was brushed aside and the market is now focusing on $352 as the upside barrier. But Europe was largely side-lined with activity focused on Comex after the dollar slipped to a record low against the yen. London **COCOA** closed near its highs above key resistance levels, making way for possible further gains. Dealers said much cocoa activity centred on currency movements, *with weak sterling pushing prices through key resistance* and triggering buy-stops which took the market to the highs. There was some talk of light selling from Ghana. The December close of £684 a tonne could mean a test of £700 today, dealers said. New York raw **SUGAR** futures were lower but holding support at midday on selling tied to chart factors and renewed sentiment that the market was oversupplied after news that German statistician F.O. Licht now pegs world production *in the 1992-93 season* at 116.42m tonnes, compared with 115.85m this season.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$18.10-8.20z	-.195
Brent Blend (dated)	$20.15-0.30	-.125
Brent Blend (Nov)	$20.35-0.40	-.125
W T I (1 pm est)	$21.70-1.80z	-.175

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$217-219	+0.5
Gas Oil	$193-194	
Heavy Fuel Oil	$101-103	
Naphtha	$190-191	-2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$351.05	+2.9
Silver (per troy oz)♣	379.50c	+4
Platinum (per troy oz)	$365.5	+0.75
Palladium (per troy oz)	$95.00	-1.6
Copper (US Producer)	107.0c	
Lead (US Producer)	37.8c	
Tin (Kuala Lumpur market)	15.75r	-0.25
Tin (New York)	293.5c	-5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	107.63p	+0.08*
Sheep (live weight)†♣	73.74p	+3.02*
Pigs (live weight)†	77.67p	-0.25*
London daily sugar (raw)	$223.0w	-2
London daily sugar (white)	$265.0w	+2
Tate and Lyle export price	£239.0	+1.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£141.5	
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	56.50p	-0.25
Rubber (Dec)♥	56.25p	-0.25
Rubber (KL RSS No 1 Oct)	222.5m	
Coconut oil (Philippines)§	$490.0y	+7.5
Palm Oil (Malaysian)§	$387.5y	-2.5
Copra (Philippines)§	$312.5	
Soyabeans (US)	£152.5	+2
Cotton "A" index	53.90c	-0.3
Wooltops (64s Super)	405p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg t-Oct/Dec y-Nov/Dec u-Oct z-Nov. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	194.00	199.00	198.00 193.00
White	**Close**	**Previous**	**High/Low**
Dec	256.50	258.70	258.80 254.90
Mar	256.80	259.20	259.90 255.50
May	258.80	261.00	261.40 258.00
Aug	264.80	265.00	268.00 264.00

Turnover: Raw 16 (71) lots of 50 tonnes. White 1988 (501) Paris- White (FFr per tonne): Dec 1257.49 Mar 1290.19

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Nov	20.36	20.50	20.48 20.31
Dec	20.40	20.54	20.52 20.36
Jan	20.36	20.48	20.45 20.32
Feb	20.26	20.33	20.33 20.22
Mar	20.13	20.16	20.22 20.10
Apr	20.01	20.04	20.01 20.01
Jun	19.82		19.84 19.82
Jul	19.74		19.75 19.73
IPE Index	20.49	20.41	20.49

Turnover 13000 (17732)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	189.50	190.50	190.25 189.00
Nov	193.25	194.00	193.75 192.75
Dec	195.75	196.25	196.00 195.00
Jan	195.75	196.50	196.25 195.50
Feb	192.25	192.75	193.00 192.00
Mar	186.00	186.75	186.50 186.00
Apr	182.00	182.50	182.50 182.00
May	179.25	180.25	180.00 179.25
Jun	177.75		178.00 177.75

Turnover 11783 (10686) lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct.5	Oct.2	mnth ago	yr ago
1573.6	1565.1	1511.3	1600.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct.2	Oct.1	mnth ago	yr ago
Spot	113.30	115.41	116.91	[illegible]
Futures	114.46	114.94	116.33	123.55

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	684	667	687 670
Mar	712	694	712 697
May	729	714	728 715
Jul	745	729	743 732
Sep	763	748	762 749
Dec	790	769	789 780
Mar	818	797	817 802
May	[illegible]	812	828

Turnover: 6221 (4068) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 2 732.08 (759.37) 10 day average for Oct 5 750.60 (748.46)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Nov	803	802	804 797
Jan	820	820	820 815
Mar	836	835	836 830
May	[illegible]	[illegible]	[illegible]
Jul	843	840	840
Sep	850	850	850
Nov	[illegible]		865

Turnover: 1237 (1374) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct.2: Comp. daily 48.93 (48.84) 15 day average 47.84 (47.41)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	83.4	80.5	84.0 81.0

Turnover 76 (175) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Oct	136.00	129.00	136.00

Turnover 100 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Oct	1090	1103	1100 1090
Nov	1117	1141	1120 1116
Dec	1120	1135	1130 1116
Jan	1158	1165	1160 1158
Apr	1200	1212	1200
Oct	1260	1290	1260
BFI	1035	1035	1035

Turnover 237 (267)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	121.25	120.00	121.25 120.50
Jan	124.30	123.20	124.30 123.70
Mar	127.60	126.45	127.60 127.00
May	130.25	129.25	130.25
Barley	**Close**	**Previous**	**High/Low**
Nov	119.80	117.80	119.80 118.70
Jan	123.90	122.40	123.95 123.50

Turnover: Wheat 460 (393), Barley 45 (216). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	100.0	99.0	99.0
Mar	100.0	100.0	99.0

Turnover: 16 (25) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover - lots
Cash	1199-1200	1212-13		1198.5-97		
3 months	1222.5-23	1236-37	1232/1215	1220-20.5	1222-23	180,646 lots
Copper, Grade A (£ per tonne)						Total daily turnover - lots
Cash	1313-14	1331-32	1323	1322-23		
3 months	1346.5-47	1363.5-64	1361/1342	1357-57.5	1357-58	149,750 lots
Lead (£ per tonne)						Total daily turnover - lots
Cash	332-33	342-43	334	333-34		
3 months	344-45	353-54	355.5/344	346-47	345-46	24,928 lots
Nickel ($ per tonne)						Total daily turnover - lots
Cash	6615-20	6700-10	6590/6565	6589-70		
3 months	[illegible]	6760-65	6760/6630	6640-45	6650-60	28,564 lots
Tin ($ per tonne)						Total daily turnover - lots
Cash	6345-50	6380-90	6350/6345	6340-45		
3 months	6410-15	6450-60	6420/6400	6415-20	6405-10	11,430 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover - lots
Cash	1250-51	1307-08	1269/1268	1267.5-68.5		
3 months	1243-44	1292-93	1288/1243	1261-62	1244.5-45.5	61,726 lots

LME Closing $/£ rate: SPOT: 1.7000 3 months: 1.6745 6 months: 1.6575 9 months: 1.6372

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	350.80-351.20	
Opening	349.20-349.60	
Morning fix	348.75	204.428
Afternoon fix	349.60	204.889
Day's high	351.00-351.30	
Day's low	348.50-348.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.90	6 months	2.09
2 months	1.90	12 months	2.05
3 months	1.88		

Silver fix	p/troy oz	US cts equiv
Spot	220.75	374.65
3 months	225.90	377.45
6 months	230.55	380.15
12 months	238.60	386.95

GOLD COINS

	$ price	£ equivalent
Krugerrand	348.00-350.00	202.00-204.00
Maple leaf	361.60-363.60	-
New Sovereign	84.00-86.00	49.00-51.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1150	61	88	3	5
1200	21	50	10	17
1250	5	24	42	40
Copper (Grade A)	**Calls**		**Puts**	
2200	69	104	8	28
2300	14	49	55	72
2400	3	18	139	140
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
600	208	219		
650	163	170		1
700	103	124		5
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
525	159	189		2
550	135	165	1	3
575	111	142	2	5
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000	44		5	18
2050	12	33	24	46
2100	1	15		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	350.5	348.1	[illegible]	349.0
Nov	351.2	348.6	0	0
Dec	352.0	349.6	353.4	350.3
Feb	353.4	351.0	354.4	351.6
Apr	354.7	352.3	355.5	353.7
Jun	356.1	353.7	358.9	354.9
Aug	357.6	355.2	0	0
Oct	359.2	356.8	0	0
Dec	360.9	358.5	361.5	361.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	357.8	360.7	357.5	356.5
Jan	364.8	363.2	366.0	363.2
Apr	363.9	361.7	363.6	362.0
Jul	362.9	361.7	0	0
Oct	365.9	364.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	374.9	373.4	376.0	375.6
Nov	375.6	374.1	0	0
Dec	377.2	375.7	381.0	374.5
Jan	378.4	376.9	0	0
Mar	380.7	379.2	384.0	376.5
May	382.9	381.4	382.0	382.0
Jul	385.1	383.6	387.0	383.0
Sep	387.5	386.0	0	0
Dec	391.4	389.6	0	0
Jan	392.5	390.9	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.69	8.66	8.69	8.61
May	8.76	8.82	8.92	8.70
Jul	8.78	8.93	8.93	8.74
Oct	8.76	8.51	8.90	8.70
Mar	8.80	8.83	8.90	8.90

TEA
A good demand prevailed reports the Tea Broker's Association. Bright liquoring and Colouring Assams were often 5p to 10p dearer, with [illegible] a better feature. Plainest types, however, tended easier and Bangladesh teas saw limited enquiry. Best East Africans were irregular with quality while mediums ruled fully firm with selected lines dearer and dusts much stronger than of late. Plainest sorts moved lower. Offshore teas were about steady. The highest price realised this week was 221p for an Assam. *Price indications for the week:* Quality 155p nom, good medium 135p, medium 128p, low medium 83p.

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	100.45	100.40	100.60	99.50
Nov	100.95	100.90	100.95	100.95
Dec	101.45	101.40	101.70	100.35
Jan	101.95	101.85	102.00	101.00
Feb	102.25	102.15	101.70	101.50
Mar	102.55	102.45	102.75	101.40
Apr	102.70	102.65	102.30	102.30
May	103.15	102.85	103.50	102.30
Jun	103.30	103.05	102.80	102.80
Jul	103.45	103.25	103.60	103.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	21.80	21.92	21.90	21.68
Dec	21.72	21.88	21.82	21.60
Jan	21.67	21.76	21.74	21.57
Feb	21.58	21.63	21.60	21.46
Mar	21.43	21.50	21.45	21.37
Apr	21.31	21.37	21.33	21.23
May	21.19	21.26	21.21	21.11
Jun	21.08	21.14	21.08	21.02
Jul	20.97	21.04	21.02	20.95
Aug	20.86	20.95	20.92	20.85

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	63.70	63.85	64.00	63.35
Dec	64.50	64.54	64.70	64.10
Jan	64.80	64.80	64.95	64.45
Feb	63.65	63.90	64.05	63.80
Mar	61.25	61.40	61.50	61.25
Apr	59.30	59.30	59.40	59.30
May	57.70	57.80	57.80	57.70
Jun	56.75	56.80	56.90	56.60
Jul	56.50	56.55	56.60	56.50
Aug	57.00	57.05	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1038	1002	1040	994
Mar	1063	1055	1084	1046
May	1110	1082	1108	1077
Jul	1141	1113	1128	1110
Sep	1173	1145	1158	1138
Dec	1204	1176	1185	1195
Mar	1245	1217	1250	1209
May	1270	1242	0	0
Jul	1307	1279	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	59.00	56.85	58.25	55.30
Mar	59.75	58.35	60.00	57.75
May	63.10	61.60	63.25	61.20
Jul	64.50	63.50	64.50	62.90
Sep	65.75	64.65	66.75	64.40
Dec	68.30	67.15	0	0
Mar	70.65	70.40	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	56.12	56.00	56.20	55.55
Dec	52.20	52.11	52.45	51.52
Mar	52.97	52.93	53.19	52.40
May	53.80	53.70	53.80	53.25
Jul	54.30	54.20	54.25	53.82
Oct	55.00	55.13	55.20	55.00
Dec	55.45	55.41	56.50	55.05
Mar	56.10	56.20	56.10	56.16

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	107.10	108.75	108.30	106.50
Mar	107.85	109.60	108.80	107.60
May	109.20	111.15	110.40	109.20
Jul	108.70	110.65	109.20	109.20
Sep	108.70	110.65	0	0
Nov	108.70	110.65	0	0
Jan	108.70	110.65	0	0
Mar	108.70	110.65	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	528/2	527/2	531/4	524/4
Jan	535/0	534/6	538/2	532/0
Mar	541/6	541/6	544/6	538/6
May	549/0	549/6	552/4	546/4
Jul	556/4	557/0	559/6	555/2
Aug	558/4	560/4	563/0	558/4
Sep	559/4	560/0	561/0	559/4
Nov	565/0	566/2	567/0	564/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	17.92	18.02	18.08	17.89
Dec	18.17	18.24	18.35	18.10
Jan	18.36	18.47	18.54	18.28
Mar	18.64	18.72	18.79	18.53
May	18.91	18.96	19.08	18.85
Jul	19.15	19.20	19.34	19.10
Aug	19.29	19.31	19.47	19.29
Sep	19.40	19.61	19.61	19.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	183.0	182.6	183.3	181.4
Dec	183.1	182.7	183.8	181.5
Jan	183.3	182.8	183.9	182.0
Mar	183.3	183.2	184.0	182.0
May	183.7	183.7	184.2	182.8
Jul	185.2	185.4	186.8	184.5
Aug	185.8	186.3	186.0	185.5
Sep	186.8	187.1	186.8	186.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	210/2	211/2	211/0	208/2
Mar	219/2	220/0	219/6	218/2
May	225/0	226/0	226/0	224/4
Jul	230/0	231/0	230/4	228/2
Sep	232/6	233/4	233/4	232/4
Dec	235/4	237/2	236/4	235/4
Mar	242/0	244/0	242/0	242/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	346/4	349/0	347/4	342/4
Mar	346/4	347/2	347/2	343/4
May	337/4	338/6	337/4	334/0
Jul	319/4	320/0	319/4	318/2
Sep	325/0	325/4	325/0	323/4
Dec	334/4	335/4	334/4	333/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.37		75.07	74.95
Dec	73.125	74.075	73.975	72.750
Feb	71.200	72.000	71.975	71.075
Apr	72.100	72.775	72.725	71.950
Jun	69.150	69.700	69.400	68.900
Aug	67.825	68.350	68.350	67.825
Oct	68.025	68.500	68.400	68.025

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	43.25		43.30	42.55
Dec	43.600	43.850	43.800	43.075
Feb	42.275	42.550	42.450	41.950
Apr	40.250	40.575	40.475	40.000
Jun	45.200	45.450	45.400	45.075
Jul	44.600	45.050	44.800	44.700
Aug	43.750	43.975	43.750	43.600
Oct	40.725	40.800	0	40.600

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	39.300	39.875	39.400	38.400
Mar	39.175	39.725	39.300	38.250
May	40.675	41.250	40.675	39.850
Jul	40.900	41.425	40.900	39.700
Aug	39.600	40.000	0	38.800

LONDON STOCK EXCHANGE

Economic gloom brings savage losses

By Terry Byland, UK Stock Market Editor

THE LONDON stock market yesterday suffered its largest one-day fall since the October Crash of 1987 as concern over the plunging UK currency was engulfed in wider worries over the European and US economies. A final blow came when Wall Street collapsed in early dealings, driving the FT-SE Index back to its day's low of 2,446.3 for a net loss of 103.4, or four per cent, on the session.

There was a moment of near-disaster at mid-afternoon when the early fall of more than 100 points on the Dow Industrial Average prompted such a rush to mark shares down in London that the Seaq system, unable to handle the pressure, went "indicative only" for a few minutes; marketmakers are not bound to deal at indicative screen prices.

But the institutions were not heavy sellers of shares in London yesterday. Much of the loss reflected frantic marking down operations by the marketmaking firms, which were also actively arbitraging between equities and the futures market.

The day's Seaq volume fell to 477.6m shares from 599.9m on Friday, when retail business was worth £1.1bn. London equities fell by significantly less than some other leading European stock markets and several strategists suggested that the UK might benefit from European-wide moves to restore economic confidence.

Account Dealing Dates		
*First Dealings:		
Sep 21	Oct 5	Oct 19
Option Declarations:		
Oct 1	Oct 15	Oct 29
Last Dealings:		
Oct 2	Oct 16	Oct 30
Account Day:		
Oct 12	Oct 26	Nov 9

*New time dealings may take place from 8.30am two business days earlier.

Traders also took some encouragement from a cash bid of £780m by Hanson Group for Ranks Hovis McDougall, the food company. Following on the heels of last week's raid on Trafalgar House, this move indicated a revival in corporate activity.

UK share prices fell away quickly yesterday morning as the stock market reacted to the renewed setback in sterling at the beginning of a trading week which will be highlighted by the annual conference of Britain's governing Conservative party. Hopes of a further cut in UK base rates evaporated on Friday and the City now fears that political unwillingness to raise rates during the Tory conference may leave sterling at the mercy of currency speculators again.

When the December futures contract on the Footsie opened at a discount to the cash market yesterday morning, pressure on the blue chip stocks was intensified by basket trading, where falls in the stock index future are matched by sales of the underlying stocks. Shares extended their losses as sterling fell by nearly six pfennigs against the D-mark and by mid-session the Footsie was 80 points off.

The London stock market has now lost about two-thirds of the hurried rise which followed sterling's departure from the ERM network. Mr Robin Aspinall at Panmure Gordon warns that, if the rally in the Footsie is truly over, then the index could fall to 2,200, if not 1,620 before looking for the next bull phase.

The continuing slide in sterling, coupled with uncertainty over interest rates, has undermined comparative valuations of UK equities and government bonds at the opening of the final quarter of the year. Nervousness in the stock market was enhanced by further rises in yields on long-dated gilts yesterday.

Market welcomes RHM bid

SHARES in RHM (Ranks Hovis McDougall) soared following the hostile £780m bid from Hanson closing 66 ahead at 241p – 21 above the bid price – in very heavy turnover of 14m, making it the heaviest traded stock in the market. RHM has long been rumoured a bid target as the shares have underperformed amid increasingly difficult trading conditions which has seen overcapacity rife in the milling and bakery market. Hanson, which has made little secret of its acquisitive intentions in a variety of industries, has been one of several companies said to be eyeing RHM recently. Hanson shares declined 5½ to 202p.

However, many in the market believe Hanson will not face a counter bid. Mr Carl Short at Nomura said: "This is exactly what anyone waiting to buy a discreet part of RHM will have wanted." Market sources indicated that if broken up the RHM group could be worth around £1.1bn, with the grocery products division worth about £430m and the food services business some £200m.

Brokers reported institutional investors as largely supportive of the Hanson bid, although the price may have to be increased. RHM's profits have been in decline for the past five years and the board is seen as largely friendless in the City. Mr Julian Lakin at Smith New Court suggested that in the absence of a counter bid an increased offer of around 240p would likely to be acceptable to most large investors.

Mr Clive Anderson at Smith New Court said of yesterday's fall: "The market reaction is one of disappointment that we are now into a different phase of uncertainity, brought about by the delay in the opening. The implication is for some form of cash call."

Owners Abroad busy

Speculative takeover talk surrounded Owners Abroad for most of the day, pushing the shares higher in brisk turnover of 1.7m. The company was reported to have denied the market hints to analysts, suggesting that its shares often attracted such spurious talk when staging a recovery. Owners shares have drifted from a year high of 121p in March to a low of 46p three weeks ago. However, news of a healthy late summer season has lifted shares in the holiday groups. Yesterday Owners climbed 1½ to 71p; while Airtours, a rumoured predator for Owners, slipped 13 to 240p.

Insurance shares tumbled across the board, affected primarily by the general plunge in international markets, but additionally weakened by the air disaster in Amsterdam and the latest floods in the US. Fears that the downward pressure on sterling could force a rise in interest rates, also upset the sector.

Commercial Union was the worst affected of the composite insurers, retreating 39 to 497p on higher than usual turnover of 2.3m, amid hints of a broker sell note. General Accident lost 25 to 485p on 1.6m traded, while Royals fell 10 to 173p and Guardian Royal 8 to 143p.

Legal & General dropped 25 to 325p and Prudential 16 to 250p, the latter after relatively heavy trading of 4.7m shares.

The big banks were among the market's most heavily traded stocks.

The start of a series of presentations to US institutions, ahead of the forthcoming ADR listing, failed to prevent Enterprise Oil stock from retreating in line with the market. They ended a busy session 17 weaker at 408p. Lasmo performed well in early trading, with the shares only marginally off at 161p, sustained by reports that the group will seek a US listing next year, before turning off to close 7½ down at 154p. Turnover in Lasmo was a good 2.9m shares.

Although closing a net 7 down at 333p, Vodafone shares were among only a handful of stocks to have traded in positive territory during the session, having touched 342p in mid-morning. The early rise followed appraisals of new subscriber numbers for September and the initial response to the launch of Lowcall, Vodafone's new service which offers lower monthly access prices in exchange for higher call charges.

Newly-demerged Racal Electronics settled at 131p and Chubb Security at 184p, down 17p.

Among internationally traded stocks, Reuters fell 40 to 1198p, Glaxo lost 36 at 737p and BAT Industries also dropped 36 to 791p. ICI, which tends to be affected by the D-Mark rather than the dollar, performed slightly better, shedding 29 to 1070p.

SmithKline Beecham was firmer towards the close of trading on expectation that the US Food and Drug Administration (FDA) would act favourably over a SmithKline anti-depressant drug. There are estimates that the product could generate revenue of around £300m within three years compared to only £3m last year. The 'A' shares were down 26 at worst but rallied to end the day 22 off at 469p.

Fisons fell with the market despite earlier support from revived speculation that a bidder might be around. The shares were up 4 at one stage but closed 7 off at 189p.

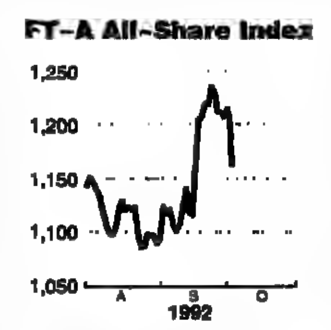
Reed International shed 29 to 536p.

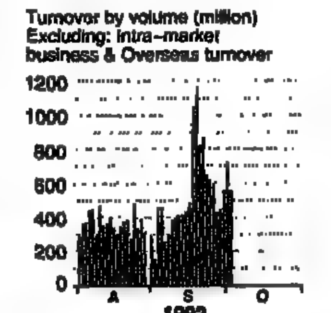
The UK's largest market research organisation, Taylor Nelson (formerly Addison Consultancy), was one of the most heavily traded stocks in the market. The group's broker Peel Hunt completed the sale, initiated on Friday, of a near-five per cent stake in Taylor. Hunt crossed a large block of shares at 14p a share on behalf of one investment fund prompting turnover of 9.3m. The shares closed only a half-penny easier at 14½p.

Media group Aegis lost 5 to 17p after deciding to cancel the listing of its shares in Paris and New York, as well as its ADR listing.

MARKET REPORTERS:
Joel Kibazo, Peter John
Steve Thompson,
Christopher Price.

■ Other market statistics, Page 24.





Eurotunnel weak

The announcement from Eurotunnel of a seven-month delay in the planned opening of the Channel tunnel, upset an already gloomy market and sent shares tumbling, as worries of a rights issue resurfaced.

The company, which reported its figures yesterday, also cut its revenue forecasts for the first year of operation. The shares responded by dropping 62 to 358p.

Analysts brushed aside assurances from the company's chief executive and suggested that the delay in openning now set for December 1993 could force the company to seek further funding.

NEW HIGHS AND LOWS FOR 1992

[illegible]

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
[illegible]															
Booker	124	372	-3	Hanson Warrants	316	19½		Reed Intl	1,100	536	-19	Unigate	223	263	-3
Boots	1,100	446	-24	Harrisons Crosfield	1,200	130	-1½	Rentokil	711	165	-10	Unilever	1,900	1069	-8
Bowater	515	816	-27	Hillsdown	6,500	90	+1	Reuters	818	1198	-39	United Biscuits	1,300	300	-15
Brit. Aerospace	2,400	135	+1	IMI	997	236	-10	Rolls Royce	5,800	126	-8	Utd. Newspapers	493	415	-13½
British Airways	3,100	276	-13	ICI	1,400	1070	-29	Rothmans	1,300	868	-29	Vodafone	[illegible]	333	-7
British Gas	6,900	237½	-6	Inchcape	646	453	-15	Ryl Bk Scotland	2,000	148½	-11½	Warburg (SG)	391	500	-11
British Land	[illegible]	143	-5	Kingfisher	2,600	471	-29	Royal Insurance	3,000	173	-10	Wellcome	1,100	917	-30
British Steel	6,700	53	-4½	Kwik Save	101	645	-21	Saatchi	1,400	148	-4	Welsh Water	352	463	-5
Bunzl	1,500	95	-6	Ladbroke	2,900	159	-8	Sainsbury	1,600	459	-21	Wessex Water	162	512	
Burmah Castrol	129	606	-12½	Land Securities	1,200	390	-13	Scottish & New	826	399	-13	Whitbread 'A'	807	399	-23
Burton	3,400	38½	-3	Laporte	491	544	-13	Scot. Hydro-Elect	1,900	208	-4½	Williams Hldgs	1,900	349	-14
Cable & Wire	2,600	543	-22	Legal & General	1,300	325	-25	Scottish Power	2,700	183½	-6½	Willis Corroon	674	195	-5
Cadbury Schweppes	[illegible]	412	-16	Lloyds Abbey	135	319	-23	Sears	5,100	78	-1	Wimpey	334	99	-4
Calor Group	23	192	-1	Lloyds Bank	2,400	422	-22	Sedgwick	239	129	-4	Wolseley	148	342	-16
Carlton Comms	673	647	-16	LASMO	3,100	154	-7½	Seeboard	203	400		Yorkshire Elect	828	435	+5
Coats Viyella	871	195	-6	London Elect	46	388	-4	Severn Trent Water	[illegible]	395	-10	Yorkshire Water	720	470	-5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

FINANCIAL TIMES STOCK INDICES

	Oct 5	Oct 2	Oct 1	Sept 30	Sept 29	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	87.72	88.85	88.21	89.36	89.58	87.32	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	102.54	103.76	103.98	104.35	104.27	97.01	106.46 (14/9)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1779.3	1862.5	1875.1	1860.6	1876.6	1999.7	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	68.6	73.1	73.0	74.2	74.8	166.5	160.6 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2446.3	2549.7	2572.3	2563.0	2565.5	2596.2	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1010.09	1062.72	1077.67	1078.39	1080.97	1159.76	1248.79 (11/5)	1010.09 (5/10)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.98	4.79	4.74	4.76	4.72	4.70				
●Earning Yld %(full)	7.23	6.98	6.90	6.94	6.87	7.48				
●P/E Ratio(Net)(☆)	17.53	18.15	18.36	18.25	18.43	16.68				
SEAQ Bargns 5.00pm	22,892	26,423	25,704	20,685	21,642	29,257				
Equity Turnover(£m)†	-	1094.4	1437.3	1532.0	1129.5	889.22				
Equity Bargains†	-	26,629	29,956	25,176	24,520	29,141				
Shares Traded (ml)†	-	563.0	722.8	560.9	454.7	278.7				

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. [illegible]

Ordinary Share Index, Hourly changes — Day's High 1825.0 — Day's Low 1779.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1825.0	1806.6	1810.7	1797.5	1802.9	1807.5	1794.2	1803.2	1787.1

FT-SE 100, Hourly changes — Day's High 2524.4 — Day's Low 2446.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2524.4	2499.8	2502.4	2481.7	2486.1	2488.1	2488.7	2480.4	2458.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1035.34 — Day's Low 1009.72

Open	11.30 am	12 pm	1 pm	2 pm	3 pm	4 pm
1030.47	1033.67	1031.44	1032.41	1029.34	1031.65	1017.32

GILT EDGED ACTIVITY

Indices*	Oct 2	Oct 1
Gilt Edged Bargains	124.5	113.1
5-Day average	129.6	131.5

*SE Activity 1974.
†Excluding Intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

EQUITY FUTURES AND OPTIONS TRADING

THE STOCK index futures sector suffered one of its biggest one day falls this year leaving the December contract on the Footsie to trade at a discount to fair value for most of the session as the slide in sterling once again undermined market sentiment, writes Joel Kibazo.

The opening level of the December contract was recorded at 2,560, which proved to be the high point of the session as early sellers and the poor performance of sterling led to a sharp fall to 2,518 within minutes of the opening.

Attempts at a rally mid-morning met with resistance and December once again declined, falling to 2,483 by lunchtime, with sentiment hurt by the weakness in the gilts market.

The afternoon saw a rally as Wall Street initially showed only a modest fall. That changed when Wall Street started declining sharply and was followed by a bout of what one trader called "panic selling". December finished at 2,460, some 20 points below its estimated fair value premium to cash of about 32. Turnover reached 14,768.

The options volume reached 40,670 contracts. The FT-SE option traded 20,761 lots while BT was the busiest stock option at 1,764 contracts.

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Monday October 5 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Oct 2 Index No.	Thu Oct 1 Index No.	Wed Sep 30 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (174)	726.25	-3.5	8.00	6.03	16.21	27.44	752.93	758.26	752.79	837.90
2 Building Materials (23)	665.91	-4.5	7.90	8.26	17.87	34.67	697.04	700.08	710.86	1015.14
3 Contracting, Construction (26)	601.08	-2.6	3.50	8.38	182.82	32.23	617.04	618.50	612.60	1134.44
4 Electricals (9)	1999.46	-1.9	8.37	7.52	15.80	85.80	2038.53	2047.59	2095.60	2619.02
5 Electronics (27)	2003.62	-2.7	8.13	4.25	15.48	47.93	2059.26	2059.98	2035.54	1764.93
6 Engineering-Aerospace (6)	276.72	-3.1	13.03	8.43	9.74	13.53	285.67	283.64	279.06	367.93
7 Engineering-General (43)	444.24	-2.4	9.10	5.29	14.03	15.00	455.10	455.52	452.72	495.71
8 Metals and Metal Forming (7)	304.16	-4.0	5.71	7.19	25.45	7.52	316.77	315.73	307.70	451.07
9 Motors (14)	290.35	-2.0	9.13	8.13	14.42	14.79	296.36	302.40	302.05	344.26
10 Other Industrials (19)	1660.46	-4.5	7.52	5.00	16.07	59.29	1747.54	1775.19	1749.65	1615.57
21 CONSUMER GROUP (191)	1525.20	-3.8	7.57	3.78	16.37	34.19	1585.44	1599.18	1584.65	1546.78
22 Brewers and Distillers (25)	1812.14	-4.2	9.20	4.06	13.11	41.43	1892.38	1940.71	1927.47	1941.06
25 Food Manufacturing (19)	1190.37	-0.7	9.00	4.44	13.73	28.04	1198.49	1198.39	1191.48	1228.69
26 Food Retailing (18)	2639.13	-3.9	9.46	3.51	13.72	53.95	2746.29	2764.01	2710.17	2494.90
27 Health and Household (26)	3933.14	-4.0	5.63	2.81	20.60	70.35	4098.17	4107.77	4057.79	3698.60
29 Hotels and Leisure (18)	1033.78	-4.7	7.61	6.60	17.29	45.99	1084.92	1090.76	1074.29	1327.49
30 Media (26)	1544.72	-3.7	6.39	3.40	19.52	35.10	1603.57	1617.22	1618.77	1519.32
31 Packaging, Paper & Printing (17)	708.38	-2.8	7.16	4.57	17.38	22.00	728.68	741.57	741.54	771.99
34 Stores (33)	968.36	-5.3	7.36	3.74	18.09	19.14	1022.39	1025.54	1024.33	989.15
35 Textiles (9)	663.82	-2.2	7.15	4.62	17.60	16.65	678.82	671.97	667.02	628.33
40 OTHER GROUPS (117)	1231.91	-3.2	10.13	5.50	12.36	40.44	1272.96	1281.90	1286.53	1303.27
41 Business Services (18)	1267.62	-4.0	6.98	4.01	17.56	25.69	1320.59	1336.35	1347.52	1432.74
42 Chemicals (22)	1309.43	-2.7	7.49	5.54	16.58	48.39	1345.60	1362.04	1361.08	1463.05
43 Conglomerates (10)	1199.66	-3.0	9.61	9.17	13.32	40.82	1236.55	1250.37	1257.72	1513.33
44 Transport (14)	2341.11	-5.0	8.59	5.05	14.33	76.54	2465.20	2524.92	2526.31	2376.39
45 Electricity (16)	1379.99	-1.8	15.07	5.32	8.55	55.01	1405.32	1402.82	1427.11	1259.36
46 Telephone Networks (4)	1395.09	-3.6	10.83	4.73	12.03	46.15	1446.88	1450.30	1435.44	1615.85
47 Water (11)	2876.40	-1.8	15.55	6.02	7.12	86.85	2929.05	2971.66	2971.26	2505.02
48 Miscellaneous (22)	2054.35	-3.8	6.43	4.91	19.53	55.33	2135.59	2169.82	2171.99	1880.90
49 INDUSTRIAL GROUP (482)	1231.77	-3.6	8.48	4.73	14.77	35.07	1277.34	1287.37	1281.42	1296.08
51 Oil & Gas (18)	1990.84	-2.8	6.78	6.51	19.34	85.40	2048.33	2054.49	2025.80	2441.75
59 500 SHARE INDEX (500)	1301.67	-3.5	8.30	4.92	15.15	39.07	1348.71	1358.62	1351.01	1394.38
61 FINANCIAL GROUP (83) ●	719.52	-4.6	-	6.14	-	30.11	754.34	758.63	751.29	812.28
62 Banks (9) ●	975.68	-4.7	5.31	5.70	26.27	40.52	1023.87	1025.86	1011.56	954.20
65 Insurance (Life) (6)	1463.47	-5.5	-	6.21	-	67.14	1548.51	1584.33	1577.33	1514.31
66 Insurance (Composite) (7)	502.99	-6.3	-	5.98	-	10.85	536.94	542.68	539.62	614.60
67 Insurance (Brokers) (10)	680.29	-2.9	10.52	8.26	12.40	42.23	700.64	698.41	691.75	1167.01
68 Merchant Banks (7)	454.09	-1.4	-	4.93	-	13.71	460.46	460.66	462.47	480.28
69 Property (30)	532.56	-3.4	10.59	8.31	12.54	22.76	551.41	555.07	551.62	936.30
70 Other Financial (14)	238.70	-1.7	8.37	6.99	15.60	9.35	242.77	242.58	241.73	258.75
71 Investment Trusts (70)	1113.43	-2.0	-	4.03	-	27.18	1136.58	1143.99	1135.63	1246.51
99 ALL-SHARE INDEX (653) ●	1161.71	-3.6	-	5.05	-	36.41	1205.07	1213.65	1206.16	1253.92

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Year ago
FT-SE 100 SHARE INDEX ‡	2446.3	-103.4	2524.4	2446.3	2549.7	2572.3	2553.0	2565.5	2560.0	2596.2

FIXED INTEREST

PRICE INDICES	Mon Oct 5	Day's change %	Fri Oct 2	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (22)	124.70	-0.31	125.09	2.33	9.31
2 5-15 years (25)	136.79	-1.17	138.42	1.99	10.59
3 Over 15 years (8)	140.79	-1.49	142.92	1.59	9.97
4 Irredeemables (6)	157.91	-2.15	161.38	3.60	8.83
5 All stocks (61)	134.73	-0.93	136.00	2.10	10.25
Index-Linked					
6 Up to 5 years (2)	175.44	-0.29	175.96	0.50	3.05
7 Over 5 years (10)	156.43	-1.03	158.06	0.89	3.64
8 All stocks (12)	157.85	-0.92	159.33	0.83	3.56
9 Debs & Loans (62)	115.01	-1.38	116.81	1.89	9.58

AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 5	Fri Oct 2	Year ago (approx.)
British Government				
1 Low	5 years	8.21	7.98	8.48
2 Coupons	15 years	9.08	8.90	9.37
3 (0%-7¾%)	20 years	9.32	9.14	9.37
4 Medium	5 years	8.77	8.60	9.60
5 Coupons	15 years	9.57	9.37	9.48
6 (8%-10¾%)	20 years	9.70	9.51	9.45
7 High	5 years	9.03	8.84	9.82
8 Coupons	15 years	9.86	9.63	9.55
9 (11%-)	20 years	9.90	9.68	9.49
10 Irredeemables		9.79	9.57	9.58
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.71	3.61	3.78
12 Inflation rate 5%	Over 5 yrs	4.19	4.12	4.22
13 Inflation rate 10%	Up to 5yrs	2.95	2.85	3.19
14 Inflation rate 10%	Over 5yrs	4.01	3.94	4.05
15 Debs & Loans	5 years	10.19	9.96	11.20
16	15 years	10.78	10.58	11.01
17	25 years	10.83	10.65	10.83

‡Opening index 2524.4; 9 am 2499.8; 10 am 2502.4; 11 am 2481.7; Noon 2486.1; 1 pm 2488.1; 2 pm 2488.7; 2.30 pm 2478.6; 3 pm 2480.4; 3.30 pm [illegible]; 4 pm [illegible]; 4.10 pm 2448.2; (a) 8.30am (b) 4.30pm. † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-Actuaries Share Indices Service covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1 9HL. ● The HSBC dividend is not subject to Advance Corporation Tax at 25%. CONSTITUENT CHANGES: ADDITION Chubb Securities (41); DELETION Stylo (34)

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]							

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010		106⅛	-1⅛	118¾	105⅞	10.28	10.09
Asian Dev 10¼pc 2009		102¼	-1¼	109¾	100⅛	10.04	9.98
B'ham 11½pc 2012		108¼	-1¼	113½	102¾	10.62	10.73
Ireland Cap 8½pc '10		96½	—	98¾	88⅞	8.81	-
9pc Cap 1998		101½	+1	101½	90	8.87	-
13pc '97-02		114	—	118½	103⅞	11.40	-
Hydro Quebec 15pc 2011		133⅛	-1¼	141¾	130⅞	11.28	10.77
Leeds 13½pc 2006		118½	-1¼	126	116¼	11.39	10.77
Liverpool 3½pc Irred		31½	+½	34	30	11.11	-
LCC 3pc '20 Aft		28¼	+¼	31¼	27	10.26	-
Manchester 11½pc 2007		104¼	-2½	111¼	103¼	10.98	10.80
Met. Wtr. 3pc 'B'		89¼	-2	92	83	8.08	9.17
N'wide Anglia 3⅞pc 2021		112¼	+¼	112½	103¼	-	8.28
4¼pc IL 2024		111½	—	112	103¼	-	[illegible]
Utd Mex States 16½pc 2008		130½	-½	138	121½	13.38	12.98

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	16⅞xd	+⅛	19⅛	14⅝	13,812	2.1
♥Allegheny & W	389p	—	379p	225p	190.2	4.8
Amdahl	498p	-14	1189p	498p	559.3	1.2
Amer Cyanamid	32	-⅛	37	28⅝	2,887	3.0
Amer Express	12 7/16xd	+3/32	13⅞	10 7/16	5,929	4.7
Amer T & T	24⅛xd	+1/16	25 11/16	20⅛	32,914	3.1
Ameritech	39⅞	-⅛	40⅛	32½	17,459	5.2
BankAmerica	25⅛xd	—	27⅛	19 1/16	8,857	3.0
Bankers NY	36⅞xd	+½	37½	26⅞	2,959	4.4
Bell Atlantic	28⅛	-⅛	28⅛	33⅛	12,196	5.4
BellSouth	30½	-⅛	32⅞	25	14,919	5.3
♥Bethlehem Steel	8⅓xd	-3/16	9⅝	5⅞	576.7	—
Bowater	1107pxd	+2	1579p	905p	480.2	6.3
CPC h	27⅞xd	+½	28⅞	22⅞	4,222	2.5
♥Cadiz Land Inc	128p	—	342p	128p	–	–
California Engy	728p	—	833p	591p	182.5	–
Chase Manhattan	12⅞xd	—	16½	9⅛	1,637	5.4
Chrysler	12 11/16xd	—	13 11/16	8⅛	3,748	2.7
Citicorp	9⅛xd	+3/16	11⅛	5⅞	3,244	–
Colgate-Palm	34⅛xd	+13/16	34⅛	25⅛	5,463	2.1
Cont'l Bank	952p	-6	1036p	499p	663.6	1.7
Dana	22⅛xd	+7/16	24½	14 3/16	1,020	4.2
Data General	836p	+1	1084p	384p	176.8	–
♥Decora Inds	118p	—	122p	65p	–	–
Dun & Brad	33⅝	—	33⅝	27⅝	5,999	4.0
Eaton	46	-½	48½	32½	1,698	2.8
Echlin	10⅞xd	-⅛	11⅛	7⅛	616.2	3.8
FPL	21⅛xd	+3/16	21⅛	17 13/16	3,815	6.7
Fluor	24 13/16xd	+3/16	27	19⅛	2,822	0.9
Ford Motor	22xd	+⅛	26⅛	15	10,725	2.7
Gen Elect	44⅞xd	-⅛	46⅞	36⅛	37,910	3.1
♥General Host	584p	-16	584p	380p	–	4.1
Gillette	34 1/16xd	+1 1/16	34 1/16	23 11/16	7,409	1.2
Hasbro	18⅞	-⅛	19⅞	12⅛	1,638	0.6
Honeywell	38⅛	+⅞	43	32	2,982	2.5
Houston Inds	25⅛	-⅛	26⅛	22	3,339	8.8
IBM	48xd	+⅛	64½	42⅛	28,253	6.1
Ingersoll-Rand	18⅛	—	19 1/16	12 11/16	1,680	2.5
Lockheed	27⅞	-⅛	27⅞	22⅞	1,085	4.5
Lowe's h	1168p	+2	1273p	815½p	402.1	1.5
Merrill Lynch	29⅛xd	+⅛	39 13/16	24⅞	3,012	2.4
Morgan (JP)	35⅞xd	+3/16	37⅞	28 1/16	6,948	3.5
Morris (Philip)	40⅞xd	+⅛	50⅞	37 13/16	44,957	2.1
NYNEX	48	-½	48⅛	39⅝	9,818	5.6
Pall	18	-⅛	17 13/16	10 3/16	1,488	1.3
Pennzoil	31⅛xd	+1/16	31⅛	23⅛	1,289	6.5
Quaker Oats	38⅞xd	+1	40 3/16	28	2,735	3.0
Rockwell	15xd	+1/16	16 13/16	11⅛	3,342	3.6
Rep NY	23⅛xd	+⅛	25 1/16	20⅞	1,313	2.3
Sears, Roebuck	25 1/16xd	-1/16	26	19 1/16	8,887	4.6
Sthwestern Bell	39⅛	-⅛	40⅛	31⅛	11,927	4.3
Sun Co	13⅞xd	-1/16	18⅞	12⅞	1,472	7.7
Tenneco	21xd	+3/16	25 1/16	16½	2,699	4.6
Texaco	38 13/16xd	+13/16	37 13/16	30 1/16	9,559	5.1
Time Warner h	[illegible]	+½	15½	11½	5,056	1.2
♥Unitab	337p	—	387p	320p	313.0	–
♥URS Intl. 1c	[illegible]	—	1⅛p	0⅛p	4.71	–
US West	22⅛	-⅛	22⅛	18⅞	9,069	5.6
Varity	1188p	[illegible]	1906p	632p	297.1	–
Waste Manage	20⅞xd	+1/16	26	16 7/16	18,344	1.6
Whirlpool	2134pxd	+4	2798p	1766p	1,480	3.0
♥Woolworth	16⅝	+⅛	18⅝	13⅞	2,420	3.5

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ⚘ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♮ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT
z Dividend yield includes a special payment
E Auction basis.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
Intl Bond & Curr	5	[illegible]	116.18	122.20	[illegible]	[illegible]
Pooled Pension &	3½	[illegible]	131.9	[illegible]		
Smaller Cos	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK General	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5966						
Income	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Global Inc	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit Leaders	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Intl Leaders	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham BR3 4TF 081-663 3003						
European Trust	6	45.71	45.71	48.62	[illegible]	2.25
Far Eastern Tst	6	—	—	90.00		1.00
Smaller Cos	5	106.2	110.6	117.6	-0.7	3.38
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S & W Capital	5	97.94	97.94	105.3	-0.1	2.00
S & W Growth	5	106.6	107.7	[illegible]	-0.4	2.75
S & W Income	5	91.85	[illegible]	[illegible]	[illegible]	[illegible]
S & W Magnum	5	103.7	103.7	111.3		[illegible]
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
[illegible]						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	78.91	78.91	80.75	+0.8	0.00
Short Dtd Gilt	1¼	100.7	100.7	102.1	-0.8	1.93
U.S. Govmnt Bond	1¼	0.7063	0.7063	0.7125		0.00
Gilt Income	4	48.79	48.79	50.14	[illegible]	9.30
Gilt Growth	4	58.90	58.90	61.30	[illegible]	0.00
City Reserve	0	54.69	54.69	54.69	+0.02	9.80
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0795 388046						
Stockmarket Fd F	5	54.02	54.23	57.69	[illegible]	[illegible]

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int / Exmpt Sep 16	530.6	547.5		1.27
James Capel Fund Managers Ltd				
Managed Exempt	1109.835	116.364	+2.741	4.77
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517.80	519.90	+40.8	5.69
Fxd Int Sec Sep 30	144.40	145.00	+3.75	10.00
Deposit Fund: See Money Market Trust Funds				
Charinco/Charishares (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Char.nco Inc	163.7	165.6	[illegible]	[illegible]
Charinco Acc	937.0	947.9	-11.6	9.90
Charishare Inc	161.2	165.1	[illegible]	[illegible]
Charishare Acc	204.5	209.3	-5.60	4.70

[illegible]

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AEGON Life Assurance Co (UK) Ltd				
AEGON Hse, Lanark Sq, London E14 9RS				
Life Series 2				
Aggressive Ptflio Fund	109.5	[illegible]		
Balanced Ptflio Fund	314.1	[illegible]		
Cautious Ptflio Fund	[illegible]	[illegible]		
Elite Fund	116.3	[illegible]		
European Fund	91.4	[illegible]		
Far East Fund	75.9	[illegible]		
Fixed Interest Fund	270.6	[illegible]		
International Fund	211.0	[illegible]		
Money Fund	231.8	[illegible]		
N American Fund	159.3	[illegible]		
Property Fund	395.1	[illegible]		
UK Equity Fund	394.8	[illegible]		
At Ul Smal Dist Fund	90.8	[illegible]		
Swiss Select Inv	85.6	[illegible]		
Sheppards Mngd Fund	106.3	[illegible]		
Seven Global Fund	129.4	[illegible]		
Hardwick Tst Fund	75.5	[illegible]		
[illegible]	85.6	[illegible]		
Perpetual Mngd Fd	141.8	[illegible]		
With Profits Fd	124.7	[illegible]		
Pension Series 3				
Aggressive Ptflio Fd	96.2	[illegible]		
Balanced Ptflio Fd	95.3	[illegible]		
Cautious Ptflio Fd	102.9	[illegible]		
Elite Fund	94.2	[illegible]		
European Fund	99.0	[illegible]		
Far East Fund	75.7	[illegible]		
Fixed Interest Fund	112.4	[illegible]		
International Fd	84.9	[illegible]		
Money Fund	107.5	[illegible]		
North American Fd	[illegible]	[illegible]		
Property Fund	101.2	[illegible]		
UK Equity Fd	95.3	[illegible]		
[illegible]	[illegible]	[illegible]		
Perpetual Mngd Fd	103.2	[illegible]		
With Profits Fd	107.3	[illegible]		
Bldg Soc Growth Fd	108.9	[illegible]		

[illegible]

Cannon Assurance Ltd – Contd.

[illegible]

Crown Financial Management Ltd – Contd.

[illegible]

Guardian Royal Exchange – Contd.

[illegible]

Legal & General – Contd.

[illegible]

Midland Life Limited

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd
Stramongate, Kendal, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Balanced Grth Mngd	574.0	610.7	(z)	–
Adventurous Mngd.	133.6	142.2	(z)	–
Cautious Mngd.	111.6	118.8	(z)	–
Cash Fd.	311.0	327.8	(z)	–
Property Fund	216.6	230.5	(z)	–
Equity Fund	641.0	682.0	(z)	–
Fxd. Int. Fund.	367.2	387.0	(z)	–
International	288.9	307.4	(z)	–
High Income	511.9	544.6	(z)	–
Far East	378.4	402.6	(z)	–
North American	338.4	360.0	(z)	–
Special Sits	469.4	499.4	(z)	–
Technology	332.4	353.7	(z)	–
Extra Inc Fd.	277.2	294.9	(z)	–
Convertible & Gilt Fd.	132.6	141.1	(z)	–
American Income	148.8	158.4	(z)	–
Gilt Fund 20	413.9	440.4	(z)	–
European Fund	108.1	115.0	(z)	–
Pref & Fixed Int	99.7	106.1	(z)	–
UK Blue Chip	103.4	109.0	(z)	–
Recovery Fund	96.6	101.8	(z)	–
Equity Income Dist.	92.6	98.6	(z)	5.25
Managed Dist.	88.9	94.6	(z)	5.60
High Yield Dist.	95.0	100.2	(z)	7.90
Pension Funds				
Balanced Grth Mngd Pens Acc.	651.1	685.4	(z)	–
Adventurous Mngd Pens Acc.	134.9	142.1	(z)	–
Cautious Mngd Pens Acc.	127.2	133.9	(z)	–
Building Soc. Acc.	356.9	375.7	(z)	–
Property Pens. Acc	293.9	309.4	(z)	–
Fix. Int. Pens. Acc	572.8	603.0	(z)	–
Equity Pens. Acc.	797.8	839.8	(z)	–
International Pens Acc	261.4	275.2	(z)	–
High Inc Pens Acc.	566.2	596.1	(z)	–
Tech Pens Acc.	225.0	236.9	(z)	–
N American Pens Acc.	247.9	261.0	(z)	–
Far Eastern Pens Acc.	372.3	391.9	(z)	–
Special Sits Pens Acc.	384.5	404.8	(z)	–
Extra Income Pens Fd.	336.9	354.7	(z)	–
Convertible & Gilt Pens	162.3	170.9	(z)	–
American Inc Pens.	166.0	174.8	(z)	–
European Pens	119.4	125.7	(z)	–
Managed Cash Pens.	168.0	176.9	(z)	–
Pref & Fixed Pens.	116.0	122.2	(z)	–
UK Blue Chip	107.8	113.5	(z)	–
Recovery Fund	101.2	106.6	(z)	–
Unitsd With Profits Pens	104.9	110.5	(z)	–
Other Funds				
Margetts Growth	107.1	112.8	+1.2	–

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or –	Yield Gross
Deposit Acc Fd	165.3	174.0	+0.1	–
Equity Acc Fd	352.2	370.7	–6.1	–
Managed Acc Fd	309.8	326.1	–4.6	–
Prop Fd (1st Issue)	–	570.1	–	–
Prop Acc Fd (2nd Iss)	117.0	123.1	–0.8	–
Unit Trust Mn. Fd.	132.9	139.9	+2.4	–
RL Pension Funds				
Deposit Acc.	238.7	251.3	+0.2	–
Equity Acc.	252.3	265.6	–5.7	–
Fixed Int Acc.	228.8	240.9	–3.4	–
Gilt Indx Lnk Acc.	173.9	183.0	–1.9	–
Managed Acc	332.2	349.7	–2.7	–

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
JRA/M&G Managed	100.9	106.3	+0.30	–
JRA/Scottish Amicable Mngd.	96.90	102.1	–0.30	–
JRA/St James's Place Mngd	102.9	108.4	+0.50	–
Deposit	98.40	103.6	–	–
Far East	100.8	106.2	+2.30	–
Gilts	98.80	104.0	–0.30	–
Greater European	107.1	112.8	+1.40	–
North American	104.6	110.2	+0.40	–
UK Equity	100.1	105.4	–0.40	–
Pension Funds				
JRA/M&G Managed cap.	97.70	102.9	+0.20	–
JRA/M&G Managed acc.	100.2	105.5	+0.20	–
JRA/Scottish Amicable Mngd cap.	93.40	98.40	–0.60	–
JRA/Scottish Amicable Mngd acc.	95.80	100.9	–0.50	–
JRA/St James's Pl Mngd cap.	103.1	108.6	+0.60	–
JRA/St James's Pl Mngd acc.	105.7	111.3	+0.70	–
Deposit cap.	98.70	103.9	+0.10	–
Deposit acc.	101.1	106.5	+0.10	–
Far East cap.	95.90	101.0	+2.40	–
Far East acc.	98.30	103.5	+2.50	–
Gilts cap.	97.10	102.3	–0.50	–
Gilts acc.	99.50	104.8	–0.60	–
Greater European cap.	106.9	112.9	+1.60	–
Greater European acc.	109.6	115.4	+1.40	–
North American cap.	104.4	109.9	+0.50	–
North American acc.	106.9	112.6	+0.50	–
UK Equity cap.	96.50	102.6	–0.60	–
UK Equity acc.	98.80	104.1	–0.60	–

Scottish Life Investments

	Bid Price
Worldwide	90.3
With Profits Pens.	79.1
Pens. Property	201.2
Pens UK Equity	379.5
Pens American	193.6
Pens. Pacific	241.1
Pens. European	418.6
Pens International	249.6
Pens. Fixed Int.	238.9
Pens. Index Linked	185.1
Pens. Deposit	235.6
Pens. Managed	247.4
Pens. Worldwide	92.3

Scottish Mutual Assurance plc
109 St Vincent St, Glasgow

	Bid Price
Flex End Sep 15	1216.4
Pen Mngd Aug 31	879.2
Safety Fund	192.0
Growth Fund	174.8
Opportunity Fund	173.7
Worldwide Venture Fnd	158.7
UK Equity Fund	185.8
UK Smaller Cos. Fund	148.2
European Fund	266.6
Far Eastern Fnd	201.7
Japanese Fnd	93.10
North American Fund	184.2
International Fund	210.5
Gilts & Fxd Int Fund	160.3
Index-Linked Fund	151.9
Property Fund	119.0
Cash Fund	161.5
Pens Safety Fnd	222.6
Pens Growth Fnd	181.6
Pens Opportunity Fnd	185.8
Pens W'wide Venture Fnd	142.1
Pens UK Equity Fnd	182.5
Pens UK Smlr Co's Fnd	132.4
Pens European Fnd	255.5
Pens Far East Fnd	214.6
Pens Japanese Fnd	89.70
Pens Nth American Fnd	221.7
Pens International Fnd	206.4
Pens Gilts/Fxd Int Fnd	185.8
Pens Index-linked Fnd	156.3
Pens Property Fnd	125.8
Pens Cash Fnd	193.9
Pens Halifax Fnd	203.6

Scottish Provident Institution
6 St Andrews Sq, Edinburgh

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Royal Heritage Life Assurance Ltd

Royal Insurance Life Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group – Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assce Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Eurolife Assurance Group

Fidelity Life Assurance Limited

Fleming International

Hafnia Prolific International

Isle of Man Assurance Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Standard International Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

C F S Financial Mngt

Capital Trust Financial Management

Chase de Vere PLC

ECU Treasures Plc

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hargreave Lansdown Financial Services (Plc) Ltd

IFS Capital Management Plc

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dowie Invest Mgmt Plc

Northern Bean & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Roxborough Financial Services Ltd

Stanley Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Sclon Fund Limited

CANADA (SIB RECOGNISED)

CIBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Cardinal Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Schroder Investment Management (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arch Bank Fund Managers (Guernsey) Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dartrust Management (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Henderson Admin. (Guernsey)

Kleinwort Benson Intl Fd Mngrs Ltd

Latin America Capital Partners Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mgmt (Europe) Ltd

Quilter International Management

Rothschild Asset Mngmt (CI) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Management Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

Hafnia Prolific International Mngmt Ltd

Morgan Grenfell Investment Funds Ltd

Sedgwick Life Investment Fund (Ireland)

IRELAND (REGULATED)

Bank of Ireland Unit Mngrs Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mgrs (Ireland) Ltd

Federated International Funds Plc

GT Asset Management (Ireland) Ltd

Guinness Portfolio Managers Limited

Irish Life International Fd Mngrs Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Saturn International (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Arrowhead Global Funds Ltd (1200)

CMI Fund Managers (IoM)

Gartmore Fund Managers (IoM)

Mercury Fund Managers (IoM) Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mgrs

Appleton Financial Advisers Ltd

CMI Fund Mngrs (IoM)

City Financial Mngrs (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Fund Managers (IoM)				
NAT INC	125.3	28.31	-0.31	12.0
Projected Yield				
John Govett Management (IoM) Ltd				
Paragon Fixe Ret Oct 1		69.17		
Govett Mngd Futs Oct 2	59.02	10.84		
DIV Govett Bd Oct 2		54.01		
IBT Global Funds Limited				
High Income Gilt	£24.79	24.70		
International Equity	£18.26	19.13		
International Bond	£21.08	21.65		
Managed Currency	£26.04	26.31		
Sterling Currency	£26.08	26.35		
US$ Currency	$37.63	38.02		
Irish £ Currency	I£14.76	14.92		
Target International (Isle of Man) Ltd				
INC Offshore Fd	£8.07	8.69		
B.F. Offshore Inc Fd Ltd	£10.71	11.20		
LFM Sterling Fd	£10.55	11.00		

JERSEY (SIB RECOGNISED)

	Bid Price	Offer Price	+ or -	Yield Gross
INVESCO MIM International Limited				
All Funds deal daily except where indicated				
Sterling Denominated Income Funds				
American Equity Inc	£1.552	1.666xd	+0.015	2.78
Japan Inc & Gwth	£1.393	1.431	+0.030	2.60
Capital Growth	£37.35	37.36		–
European Perform	£0.4055	0.4366xd	-0.004	–
Far East	£2.192	2.357	+0.041	–
Pioneer Markets	£3.136	3.372	+0.058	–
UK Growth	£1.094	1.176	-0.033	2.30
£ Mng Portfolio	£1.425	1.941	+0.002	–
US Dollar Denominated Growth Funds				
Gold & Prec Mtls	$0.659	0.709	-0.007	–
Japan Performance	$2.069	2.225	-0.012	–
Lloyds Bank Trust Co (CI) Mngrs				
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge Ltd	£9.31	9.35xd	-0.11	10.05
Minerals, Oils Res. Shrs. Fd. Inc.				
Mnrs Oct 1	$14.30	14.59xd		2.74
Nat. Westminster Jersey Fd. Mgrs. Ltd				
UK Equity Fd	201.1	214.0xd	+0.02	2.99
Natural Resources Fd	110.4	118.0		0.42
Sterling Mngd Asset Fd	507.6	535.0	+0.06	5.00
NatWest TrustCar Currency Fund (a)				
Dollar Class		$37.9253	+0.0217	–
Sterling Class		£26.5411	+0.0046	–

Disa Income Fund

Dresdnerbank Asset Mngmt SA (u)

13 Rue Beaumont, L-1219 Luxembourg

Eagle Star – Global Assets Fund (u)

5 Rue Aldringen L-1118 Luxembourg

Dealing UK 0624 661108

UK Equity · Nth Am Equity · Japanese Equity · Pacific Basin Equity · European Equity · Sterling Bond · US Dollar Bond · Japanese Yen Bd · Deutschmark Bond · Stlg Liquid Assets · US$ Liquid Assets · Japan Yen Liquid Assets · D mark Liquid Assets · Global Managed · European Bond

All funds are denominated in Sterling equivalent

EquiFund–Wright National Equity Fd (u)

14 rue Aldringen, L-1118 Lux

Australian Nat Equity · Belgian Nat Eqty · French Nat Equity · German Nat Equity · Dutch Nat Equity

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED**)

JERSEY (REGULATED**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Huge selling of pound and lira

EUROPEAN currencies and the US dollar suffered sharp falls against the D-Mark yesterday as investors panicked over Germany's decision not to cut its short-term interest rates last Friday, *writes James Blitz.*

Another concerted round of D-Mark buying was triggered by a growing belief that the differential between US and German short term interest rates could rise. The Bundesbank left the Lombard rate unchanged while dealers believe that the Federal Reserve might cut rates at its Federal open Markets Committee today following Friday's poor non-farm payroll figure.

The falls in both the lira and sterling, which are now floating outside the ERM, were the most dramatic of the day. Yesterday's run on both currencies was triggered by new and acute uncertainties over their governments' economic policies.

In Italy's case, the market was plagued by fears that the government's new budget will not be passed, that capital controls will be introduced and that a general strike is imminent. The lira again fell victim to selling by Italian corporates, dropping a dramatic 5 per cent on the day and closing at L934.4 from a previous L885.6. According to Mr David Cocker, chief economist of Chemical Bank, the market is targeting a fall to L1000 per D-Mark.

Sterling's loss of 13.5 pfennigs against the D-Mark in three trading days results from an economic policy vacuum in the UK government. A worrying feature of the pound's decline is that it reflects heavy institutional selling of gilts and UK denominated bonds.

Mr Avinash Persaud, currency economist at UBS Phillips and Drew, says that European fund managers started to sell sterling between DM2.50 and DM2.40. "European funds were big purchasers of gilts earlier this year in the belief that there was little currency risk and a yield to be gained," he said. Mr Persaud projects a fall to DM2.30 by the year's end. The pound closed at DM2.3920 from a previous close of DM2.43.

The conviction that a realignment is imminent put pressure on several ERM currencies.

Potentially the most important fall was the French franc's, which closed at FFr3.3930 to the D-Mark from a previous FFr3.3860. Both the Bundesbank and the Bank of France have spent hugely to support a currency whose devaluation would signal the end of the ERM. Mr Mark Austin, chief economist at Hong-Kong and Shanghai Banking Corporation in London, believes that the pressure on the franc will continue if there is no realignment.

The peseta closed at Pta71.40, a little closer to its floor of Pta72.62, even though the Bank of Spain intervened to support the currency.

£ IN NEW YORK

Oct.5	Latest	Previous Close
£ Spot	1.7115-1.7135	1.7275-1.7295
1 month	0.98-0.96pm	0.92-0.90pm
3 months	2.54-2.52pm	2.52-2.49pm
12 months	8.30-8.20pm	8.15-8.05pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.5	Previous
8.30 am	80.5	82.5
9.00 am	80.1	82.3
10.00 am	80.2	82.4
11.00 am	80.3	82.2
Noon	79.7	82.2
1.00 pm	79.8	82.1
2.00 pm	79.7	81.6
3.00 pm	80.3	81.2
4.00 pm	80.6	81.1

CURRENCY MOVEMENTS

Oct.5	Bank of England Index	Morgan** Guaranty Changes %
Sterling	80.6	-29.6
U.S Dollar	60.2	[illegible]
Canadian Dollar	94.1	-7.8
Austrian Schilling	115.7	+15.9
Belgian Franc	117.7	+2.0
Danish Krone	116.0	+8.4
D-Mark	128.6	+32.2
Swiss Franc	118.7	+24.9
Dutch Guilder	121.6	+21.4
French Franc	112.2	-6.3
Lira	83.8	-27.0
Yen	146.7	+69.1
Peseta	101.8	-22.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.2

CURRENCY RATES

Oct. 5	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.841326	0.818015
U.S Dollar	3.00	1.46559	1.39013
Canadian $	5.34	1.83858	1.73350
Austrian Sch	8.25	14.6002	[illegible]
Belgian Franc	8.00	42.7989	40.1749
Danish Krone	9.50	8.03583	7.57693
D-Mark	[illegible]	2.07161	[illegible]
Dutch Guilder	8.00	2.36634	[illegible]
French Franc	10¼	7.10298	6.61565
Italian Lira	[illegible]	N/A	1801.82
Japanese Yen	3.25	175.065	165.732
Norway Krone	–	8.45865	7.99883
Spanish Peseta	–	[illegible]	139.044
Swedish Krona	50.0	N/A	[illegible]
Swiss Franc	6.00	1.81074	1.70180
Greek Drach	19	N/A	252.699
Irish Punt	–	N/A	0.743069

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct.2

OTHER CURRENCIES

Oct. 5	£	$
Argentina	1.6790 - 1.6920	0.9900 - 0.9910
Australia	2.3440 - 2.3460	[illegible]
Brazil	11145.5 - 11152.5	6537.00 - 6570.20
Finland	7.6935 - 7.7045	[illegible]
Greece	305.300 - 311.450	[illegible]
Hong Kong	13.1600 - [illegible]	7.7245 - 7.7255
Iran	2479.00*	1435.00*
Korea(Sth)	1341.20 - 1362.80	782.50 - 788.70
Kuwait	0.49555 - 0.49700	[illegible]
Luxembourg	49.00 - 49.10	[illegible]
Malaysia	4.2550 - 4.2690	2.4955 - 2.4965
Mexico	5116.50 - 5128.05	[illegible]
N.Zealand	3.1295 - 3.1335	1.8350 - 1.8370
Saudi Ar.	[illegible]	3.7495 - 3.7505
Singapore	2.7095 - 2.7175	1.5900 - 1.5910
S.Af (Cm)	[illegible]	2.8160 - 2.8180
S.Af (Fn)	8.1795 - 8.2395	[illegible]
Taiwan	42.90 - 43.00	[illegible]
U.A.E.	[illegible]	3.6715 - 3.6735

*Floating rate. Iran Official rate £108.30 $62.70

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.29193	2.19321	-4.31	4.40	69
D-Mark	2.03412	1.94688	-4.29	4.38	62
Belgian Franc	41.9547	40.1749	-4.24	4.33	46
French Franc	6.82216	6.61565	-3.03	3.02	-16
Danish Krone	7.75901	7.57693	-2.35	2.31	-44
Irish Punt	0.759300	0.743069	-2.14	2.09	-53
Portuguese Escudo	176.844	174.323	-1.43	1.35	-7
Spanish Peseta	139.176	139.044	-0.09	0.00	-30

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6925 - 1.7195	[illegible]	1.00-0.98cpm	6.99	2.64-2.61pm	6.18
Canada	2.1135 - 2.1615	2.1315 - 2.1325	0.25-0.19cpm	1.24	0.78-0.65pm	[illegible]
Netherlands	2.6675 - 2.7150	2.6875 - 2.6975	¼-¼cdis	-0.84	¼-¼dis	[illegible]
Belgium	48.85 - [illegible]	49.00 - 49.10	3½-4½cdis	-0.98	4¼-7dis	-0.46
Denmark	9.2300 - 9.4350	9.2850 - 9.2950	1¾-6¼oredis	-5.33	9¼-13¾dis	-4.90
Ireland	[illegible] - 0.9210	0.9095 - 0.9105	0.85-0.45cpm	8.57	2.15-1.50pm	8.02
Germany	2.3675 - [illegible]	[illegible] - 2.3950	¼-¼pfpm	0.94	¼-¼dis	-0.31
Portugal	212.75 - 218.00	213.25 - 214.25	N/A	N/A	N/A	N/A
Spain	169.65 - 174.25	170.65 - 170.95	99-125cdis	-7.87	263-399dis	-7.75
Italy	2118.75 - 2248.75	[illegible] - 2236.00	10-19liredis	[illegible]	36-47dis	-7.43
Norway	9.7350 - 9.9425	9.7750 - [illegible]	5¾-10dis	-9.74	12¼-18¼dis	-6.31
France	8.0500 - 8.1700	8.1125 - 8.1225	3-4cdis	-5.17	4-9dis	[illegible]
Sweden	9.0575 - 9.2850	[illegible] - 9.1075	5¾-11dis	-10.96	12¾-19¼dis	-7.11
Japan	[illegible] - 204.75	202.75 - 203.75	1-¾ypm	5.54	2¾-2½pm	5.04
Austria	16.69 - 17.25	[illegible]	½-⅝gropm	0.54	1¼-⅝pm	0.21
Switzerland	2.0700 - 2.1125	2.0800 - 2.0900	½-⅜cpm	2.52	1¼-1pm	2.16
Ecu	1.2260 - 1.2380	1.2275 - 1.2285	0.34-0.46cdis	-3.91	0.82-1.05dis	-3.05

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.84-4.79pm. 12 Month 8.75-8.65pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6925 - [illegible]	[illegible] - 1.7005	1.00-0.98cpm	6.99	2.64-2.61pm	6.18
Ireland†	1.8660 - 1.8800	[illegible]	[illegible]	15.97	6.50-5.50pm	12.78
Canada	1.2435 - [illegible]	1.2460 - 1.2470	0.54-0.64cdis	-5.68	1.90-1.65dis	-5.05
Netherlands	1.5665 - 1.5950	1.5835 - 1.5845	0.85-0.88cdis	-6.55	2.30-2.36dis	-5.88
Belgium	28.70 - 29.00	28.80 - 28.90	15.00-17.00cdis	-6.66	41.00-46.00dis	-6.03
Denmark	5.4150 - 5.4700	[illegible] - 5.4675	2.50-6.50oredis	-9.88	9.50-15.30dis	-9.05
Germany	1.3885 - 1.4075	1.4065 - 1.4075	0.76-0.78pfdis	-6.57	2.02-2.05dis	-5.79
Portugal	124.30 - 125.90	125.00 - 125.10	300-400cdis	-33.99	650-800dis	-23.19
Spain	99.35 - 100.50	99.75 - 99.85	90-160cdis	-15.03	270-420dis	-13.83
Italy	1236.00 - 1318.00	1314.75 - 1315.25	15.00-19.00liredis	-15.51	40.00-47.00dis	-13.23
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 5	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 4-3⅝ per cent; three years 4⅝-4½ per cent; four years 5⅛-5 per cent; five years 5½-5¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.5	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.700	2.392	203.2	8.117	2.085	2.692	2235	2.132	49.05	170.8	1.228
$	0.588	1	1.407	119.5	4.775	1.226	1.584	1315	1.254	28.85	100.5	0.722
DM	0.418	0.711	1	84.95	3.393	0.872	1.125	934.4	0.891	20.51	71.40	0.513
YEN	4.921	8.366	11.77	1000	39.95	10.26	13.25	10999	10.49	241.4	840.6	6.043
F Fr.	1.232	2.094	2.947	250.3	10.	2.569	3.316	2753	2.627	60.43	210.4	1.513
S Fr.	0.480	0.815	1.147	97.46	3.893	1	1.291	1072	1.023	23.53	81.92	0.589
N Fl.	0.371	0.632	0.889	75.48	3.015	0.775	1	830.2	0.792	18.22	63.45	0.456
Lira	0.447	0.761	1.070	90.92	3.632	0.933	1.204	1000.	0.954	21.95	76.42	0.549
C$	0.469	0.797	1.122	95.31	3.807	0.978	1.263	1048	1	23.01	80.11	0.576
B Fr.	2.039	3.466	4.877	414.3	16.55	4.251	5.488	4557	4.347	100.	348.2	2.504
Pta	0.585	0.995	1.400	119.0	4.752	1.221	1.576	1309	1.248	28.72	100.	0.719
Ecu	0.814	1.384	1.948	165.5	6.610	1.698	2.192	1820	1.736	39.94	139.1	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

CAC-40 FUTURES (MATIF) Stock Index

ECU BOND (MATIF)

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	-	0.26	-	3.98	-	-
107	2.90	0.43	-	3.22	0.74	-
108	1.77	0.68	-	-	-	-
109	1.19	1.05	-	-	-	-
110	0.73	-	-	1.46	-	-
Open Int	338,363	82,064	202	217,762	61,833	1,460

Estimated volume 19,971 † Total Open Interest 701,664
† All Yield & Open Interest figures are for the previous day.

FT-SE 100 INDEX

	Close	High	Low	Prev.
Dec	2460.0	2550.0	2450.0	2575.0
Mar	2493.0	2547.0	2542.0	2606.0
Jun	2515.0			2531.5

Estimated volume 20361 (9864)
Previous day's open int. 48203 (47639)
* Contracts traded on APT. Closing prices shown

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7000	1.6901	1.6738	1.6538	1.6172

BASE LENDING RATES

	%		%		%
Adam & Company	9	Credit Lyonnais	9	McDonnell Douglas Bk.	9
Allied Trust Bank	9	Cyprus Popular Bk	9	Midland Bank	9
AIB Bank	9	Duncan Lawrie	9	Mount Banking	9
● Henry Ansbacher	9	Equatorial Bank plc	9	NatWestminster	9
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	9
Bank of Baroda	9	Financial & Gen. Bank	9	Nykredit Mortgage Bank	9.5
Banco Bilbao Vizcaya	9	● Robert Fleming & Co.	9	Provincial Bank PLC	14
Bank of Cyprus	9	Robert Fraser & Ptnrs.	9.5	● Rea Brothers	9
Bank of Ireland	9	Girobank	9	Roxburghe Bank Ltd.	10
Bank of India	9	● Guinness Mahon	9	Royal Bk of Scotland	9
Bank of Scotland	9	Habib Bank AG Zurich	9	● Smith & Williamson Secs.	9
Banque Belge Ltd	9	● Hambros Bank	9	Standard Chartered	9
Barclays Bank	9	Hampshire Trust Plc	13.5	TSB	9
Brit Bk of Mid East	9	Heritable & Gen Inv Bnk.	9	Unibank plc	9
● Brown Shipley	9	● Hill Samuel	9	● United Bk of Kuwait	9
CL Bank Nederland	9	C. Hoare & Co.	9	Unity Trust Bank Plc	9
Citibank NA	9	Hongkong & Shanghai	9	Western Trust	9
City Merchants Bank	9	Julian Hodge Bank	9	Whiteaway Laidlaw	9
Clydesdale Bank	9	● Leopold Joseph & Sons	9	Yorkshire Bank	9
Co-operative Bank	9	Lloyds Bank	9		
Coutts & Co	9	Meghraj Bank Ltd	9		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Volatility in rates

STERLING cash rates rose sharply yesterday morning after the pound slumped to a new historic low of DM2.3690 against the D-Mark, suggesting that another cut in UK base rates was unlikely to materialise.

However, rates softened closer to the day's opening level in the afternoon as the pound rebounded by about 3 pfennigs to around DM2.39. The fall in world stockmarkets also suggested that the case for a rate cut may become stronger in Europe.

In the morning, 3 month sterling cash rose to 9⅝ per cent on the offered side from a previous close of 9¼ per cent, while 1 month money was up at 9½ per cent.

Sterling futures also dipped sharply as dealers began to wonder whether the Conservatives might be forced into a rate rise to support the pound in the week of their party conference. The December short sterling contract fell 47 basis points to a low of 91.25 in the morning.

However, in the afternoon, the case for a rate cut resurfaced. Three-month money closed at 9⁵⁄₁₆ per cent, while the 1-month closed at 9⁷⁄₁₆ per cent. One clearing bank dealer said that there was no market pressure for a base rate rise with period rates at these levels. The December contract closed at 91.69, 3 basis points down on the day.

A discount house dealer said that the day's events had convinced him that there was an overwhelming case for a cut in UK base rates.

He said that a rate rise could neither support sterling, the lira, nor most European currencies.

The case for a rate cut was also underlined by the fall in the FT-SE index of 100 leading shares, which registered the largest one-day fall since Black Tuesday in 1987. "Britain's politicians are living in Disneyworld," he said. "They should have cut rates by 2 per cent two weeks ago."

The Bank of England's operations were straightforward. In early operations, the Bank purchased £347m of Band 1 bank bills at 8⅞ per cent, £97m of Band 2 bank bills at 8⅞ per cent and £910m in a repurchase agreement at 8¹⁵⁄₁₆ per cent.

The forecast was revised to £1.55bn and the Bank purchased £206m of Band 1 bank bills.

UK clearing bank base lending rate 9 per cent from September 22, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.5) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3⅛	offer 3¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime

Prime rate	6	One month	2.60	Three year	4.12
Broker loan rate	5	Two month	2.67	Five year	5.19
Fed.funds	3¼	Three month	2.67	Seven year	5.78
Fed.funds at intervention	-	Six month	2.86	10-year	6.24
		One year	2.96	30-year	7.34
		Two year	3.69		

Oct.5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.05	8.95-9.05	8.95-9.05	8.95-9.05	8.80-8.95	9.50
Paris	14-14½	13½-15	-	13-14½	-	9.60
Zurich	6⅝-6⅞	6⅝-6⅞	-	6⅝-6⅞	-	-
Amsterdam	8.88-9.00	8.90-9.00	-	8.85-8.95	-	-
Tokyo	4⅛-4¼	4⅛-4¼	-	3⅞-3⅞	-	-
Milan	17½-17¾	16½-16¾	-	16½-16⅞	-	-
Brussels	-	9⅛-9⅜	-	9⅛-9⅜	-	-
Dublin	15-25	13-14	12½-13½	12½-13½	11½-12½	-

LONDON MONEY RATES

Oct 5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9⅝	9½	9½	9⅜	9⅛	8⅞
Interbank Bid	8	9¼	9¼	9¼	8⅞	8⅝
Sterling CDs	-	-	9¼	9¼	9	8⅝
Local Authority Deps.	9⅛	9⅛	9¼	9⅛	8⅞	8½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	8⅞	9⅛	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	9⅜	9⅛	8⅞	8½
Treasury Bills (Buy)	-	-	8⅞	8⅞	8⅞	-
Bank Bills (Buy)	-	-	8¹⁵⁄₁₆	8⅞	8½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	2.94	2.97	2.94	3.07
SDR Linked Dep. Offer	-	-	6⅛	6	6	6
SDR Linked Dep. Bid	-	-	5⅞	5⅞	5⅞	5⅞
ECU Linked Dep. Offer	-	-	12⅞	12⅜	11½	10⅜
ECU Linked Dep Bid	-	-	12⅜	12⅛	11¼	10½

Treasury Bills (sell): one-month 8⅝ per cent; three months 8⅝ per cent; six months 8⅛ per cent; Bank Bills (sell): one-month 8¹¹⁄₁₆ per cent; three months 8⅞ per cent; Treasury Bills: Average tender rate of discount 8.1102 ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1992. Agreed rates for period Oct. 26, 1992 to November 24, 1992, Scheme I 11.18 p.c., Schemes II & III 11.18 p.c. Reference rate for period August 29, 1992 to September 30, 1992, Scheme IV&V 10.112 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from October 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent, three-six months 9 per cent, six-nine months 8½ per cent, nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

LEGAL NOTICES

Registered in England and Wales
CLEAR VIEW (DONCASTER) LIMITED
Company Number 2210971. Principal place of business: 1 Market Place, Askern, Doncaster; 73 Owston Road, Carcroft, Doncaster; 1 Main Avenue Edlington, Doncaster; 85/87 Middle Lane, Clifton Park, Rotherham. NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at 1 East Parade, Sheffield, S1 2ET on 14 October 1992 at 11.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit establish a committee to exercise the functions conferred on creditors' committees by or under the Act.
D J Stokes
Joint Administrative Receiver
30 September 1992

ART GALLERIES

MARLBOROUGH FINE ART LTD. MARLBOROUGH GRAPHICS LTD. 6 Albemarle Street, London W1. Victor Pasmore - New Works. Until 24 October 1992. Mon-Fri 10am-5.30pm Sat 10am-12.30pm Tel. 071-629 5161.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,969 Set by PROTEUS

ACROSS

1 Main element needing fastening (6)
4 Bill churchman found without error (8)
10 Modern undertaking with risk .... (9)
11 .... to frighten many a female adviser (5)
12 Is proprietor of part of township (4)
13 Newcomers with sore extremities it seems (10)
15 Artists' underwear? (7)
16 Pass on report of sale to consumer (6)
19 Soldier having to think of ransom (6)
21 Young girl inclined to get flustered perhaps (7)
23 Expert teacher of history? (10)
25 Flower yielding some wondrous elixir (4)
27 Academic accepting measure to bad spirit (5)
28 Lying like a clergyman (9)
29 Pop star holding also position in society (8)
30 Made haste to get transferred (6)

DOWN

1 Top sailors' terrible ordeal on board ship (3,5)
2 Benefit that may accrue from gaining point in court (9)
3 Fast held in fallen tree (4)
5 Daily swallowing oriental theologian's food (7)
6 Side eschewing overarm bowling ready to start apparently (5,5)
7 Entertain a goddess of the liberal arts (5)
8 Condition of private park (6)
9 Constraint acceptable in attire (6)
14 Decided to be firm of purpose (10)
17 Unwise to give child naughty book (9)
18 Taken up in undeveloped state (8)
20 Girl taking charge-bearer to embassy (7)
21 Common market in transport appears rather woolly (6)
22 Cards used as tools (6)
24 Dance with some famous ambassador (5)
26 A doctor with love for pulpit (4)

Solution to Puzzle No.7,968

ABACUS LARBOARD; TOPHAT ADENOIDS; STRICKEN ADMIRE; SAGA SERBOCROAT; RESISTANCE AFAR; CAMPUS ANTIMONY; TRIMARAN RECOIL; LESSENED BETRAY

WORLD STOCK MARKETS

INDICES

NEW YORK DOW JONES

	Oct 2	Oct 1	Sep 30	Sep 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3200.61	3254.37	3271.66	3266.80	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.72	102.94	102.91	102.98	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1246.75	1260.45	1276.57	1267.65	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.70	219.33	220.58	219.83	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl Day's High 3259.51 (3291.39) Low 3193.59 (3237.35) (Theoretical)
Day's High 3259.24 (3280.58) Low 3198.72 (3246.27) (Actual)

STANDARD AND POOR'S

	Oct 2	Oct 1	Sep 30	Sep 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	410.47	416.29	417.80	416.80	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	480.84	487.99	490.49	489.96	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	35.80	36.29	36.01	35.63	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	225.81	228.73	229.46	228.90	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amer Mkt. Value	371.24	374.81	376.72	375.61	418.99 (12/2)	371.24 (2/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	571.63	578.33	583.27	577.63	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Sep 25	Sep 18	Sep 11	year ago (approx.)
Dow Industrial Div. Yield	3.19	3.10	3.12	3.08

	Sep 30	Sep 23	Sep 16	year ago (approx.)
S & P Industrial div. yield	2.70	2.68	2.63	2.73
S & P Indl. P/E ratio	27.40	27.57	27.77	21.15

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
IBM	3,289,100	78½	- 1⅛
JWP	2,904,600	3⅞	- 3⅛
Merck	2,850,400	43	- 1⅛
Oklaho G & E	2,484,100	34⅛	- ⅛
Time Warner	2,385,800	23⅛	+ ⅛
Gen Motors	2,214,200	30⅞	- ⅛
Telefonos	1,961,300	44⅛	.. ..
RJR Nabisco	1,901,900	8⅞	.. ⅛
US Surgical	1,848,700	59⅛	- 4⅛
Coca Cola	1,755,800	39⅛	- ⅛

TRADING ACTIVITY

† Volume Millions	Oct 2	Oct 1	Sep 30
New York SE	187.400	203.670	184.220
Amex	10.076	11.077	11.623
NASDAQ	169.960	185.120	187.133
NYSE			
Issues Traded	2,312	2,310	2,332
Rises	439	722	1,031
Falls	1,314	1,003	690
Unchanged	559	585	611
New Highs	30	51	57
New Lows	74	43	34

CANADA TORONTO

	Oct 2	Oct 1	Sep 30	Sep 29	1992 HIGH	1992 LOW
Metals & Minerals	2736.48	2792.58	2830.96	2841.07	3238.87 (16/1)	2736.48 (2/10)
Composite	3231.10	3275.04	3297.88	3327.24	3666.00 (16/1)	3231.10 (2/10)
MONTREAL Portfolio	1668.96	1694.57	1699.36	1719.48	1937.59 (16/1)	1668.96 (2/10)

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 5	Oct 2	Oct 1	Sep 30	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1467.1	1483.0	1472.1	1485.1	1684.50 (22/5)	1467.10 (5/10)
All Mining (1/1/80)	646.7	656.1	653.5	660.4	726.80 (3/7)	646.70 (5/10)
AUSTRIA						
Credit Aktien (30/12/84)	316.23	328.56	329.27	326.64	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	769.45	799.32	802.36	795.56	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1063.17	1099.81	1109.17	1109.17	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	261.30	266.44	264.34	262.79	365.29 (15/1)	261.30 (5/10)
FINLAND						
HEX General (28/12/90)	609.5	624.8	625.7	611.6	935.90 (24/2)	541.00 (7/8)
FRANCE						
CAC General (31/12/81)	454.61	464.90	471.46	463.14	555.93 (12/5)	454.61 (5/10)
CAC 40 (31/12/87)	1611.04	1683.34	1724.00	1736.73	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	569.31	585.93	584.91	584.38	725.26 (26/5)	569.31 (5/10)
Commerzbank (1/12/53)	1604.4	1653.7	1650.2	1647.1	2043.80 (25/5)	1604.40 (5/10)
DAX (30/12/87)	1424.40	1478.04	1484.03	1466.36	1811.57 (25/5)	1424.40 (5/10)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	5595.44	5528.84	5505.44	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1110.91	1146.73	1143.27	1144.05	1469.57 (17/1)	1110.91 (5/10)
ITALY						
Banca Com. Ital. (1972)	358.37	365.27	363.10	363.64	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	706.0	721.0	716.0	717.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17101.50	17324.07	17369.91	17399.08	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1292.71	1303.14	1304.43	1310.60	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1699.63	1712.78	1717.38	1725.30	2459.85 (6/1)	1582.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	594.33	594.59	598.10	602.28	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	282.0	290.6	291.9	291.9	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	190.1	195.9	196.8	196.8	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	570.76	600.83	602.62	599.03	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1442.65	1428.70r	1418.11	1404.54	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	360.68	362.06	363.50	363.81	416.99 (21/1)	354.15 (19/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	902.0♠	887.0	893.0	902.0	1327.00 (21/1)	857.00 (10/9)
JSE Industrial (28/9/78)	4103.0♠	4181.0	4199.0	4211.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA **						
Korea Comp Ex. (4/1/80)	502.22	513.12	508.76	513.82	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	179.48	186.28	186.01	192.95	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	639.0	681.2	698.6	696.6	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	816.5	840.1	846.8	844.1	883.40 (11/5)	746.50 (8/1)
SBC General (1/4/87)	617.2	635.0	639.8	638.4	682.30 (11/5)	596.40 (26/8)
TAIWAN **						
Weighted Price (30/6/66)	3720.45	3717.71	3584.08	3524.21	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangok SET (30/4/75)	877.60	880.71	859.68	847.00	880.71 (2/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	483.4*	494.0	499.0	501.0	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	771.33	805.59	813.17	814.80	976.55 (25/5)	771.33 (5/10)

**Saturday October 3: Taiwan Weighted Price: 3704.25, Korea Comp Ex. (c)
♠ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday October 5 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Aishin Seiki	8.7m	1,040	+42	Shokusan Jutaku	2.3m	589	-11
Mitsui Min	3.5m	495	-5	Shinagaw Fuel	2.3m	906	+8
Taiyo Sanso	3.1m	820	+45	Itoman	1.8m	114	-5
Nippon Mining	2.7m	502	-6	Toshiba	1.6m	585	-1
Green Cross	2.7m	1,540	-10	ASICS	1.5m	476	-14

3 pm October 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11½	AAR Corp	0.48	4.2	18	73	11½	d11⅛	11½	-⅛
26	18	A L Labs A	0.18	0.8	60	362	23⅛	21½	22½	-¼
68¼	52⅝	AMP Inc	1.52	2.6	23	1940	59⅝	58¼	58⅞	-1
80¼	55	AMR				207402	67	d54⅝	56½	-¼
2⅛	1⅛	ARX			16	41	1½	d1⅛	1½	
53½	33⅞	ASA	2.00	5.8	22	554	34⅞	34⅛	34⅛	
34¼	26⅛	Abbott Lab	0.60	2.2	19	1623	27½	26½	27⅛	-¼
13⅞	11⅛	Abitibi Pr	0.42	3.8	6	70	11⅛	d11⅛	11⅛	-¼
11⅝	10⅛	ACM Gvt In	0.96	8.6		234	11¼	11⅛	11⅛	-⅛
10⅛	9⅛	ACM GvOpp	0.79	8.1		83	9⅞	9⅛	9¾	
9¾	8½	ACM Gvt Sp	0.79	8.4		205	9⅞	9¼	9⅞	
11⅞	10⅛	ACM Gvt Se r	0.98	8.6		600	u11⅛	11⅛	11⅛	-⅛
10⅝	8⅝	ACM Man	1.08	10.3		320	10½	10⅛	10½	-⅛
12⅞	9⅞	ACM Managd	0.99	9.7		174	10¼	10⅛	10¼	+⅛
11¾	4⅞	Acme Cleve	0.40	6.2	12	118	6⅝	6⅛	6½	-¼
6¼	4	Acme Elect			31	16	4⅛	d4	4⅛	+⅛
33¼	14⅛	Acuson			10	929	15¼	15⅛	15¼	-⅛
20	18⅛	Adams Expr	0.48	2.5	0	53	19⅛	19⅛	19¼	-⅛
49⅛	29½	Ad Micro	3.00	8.3		54	36½	36	36¼	-⅛
21½	7½	Ad Micro P	3.00	28.1		49351	11½	10⅞	11½	+¼
0⅛	4⅞	Advest Grp	0.16	2.8	70	13	5¾	5⅝	5⅝	-⅛
41⅞	33	Aegon ADR	1.68	4.1	7	112	41½	41⅛	41⅛	-⅛
47	38	Aetna Lf	2.76	6.7	10	3261	41⅛	40⅛	41½	+⅛
12⅛	8⅛	Ahli A	0.24	2.3	12	1267	10⅝	10	10¼	-½
34	24	Aflac	0.44	1.5	14	1761	30⅛	29⅝	29⅞	-⅛
19⅞	13⅛	Ahmanson	0.88	6.6		63010	13⅝	d13¼	13⅝	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
80¾	66½	St Paul's x	2.72	3.7		81130	74¼	71¼	73	-2¼
8½	2⅞	Salant Crp			9	46	6⅞	6¼	6½	-⅛
76	63½	Sallie Mae	1.00	1.5		2469	71	68¾	68¾	-2½
14¾	13	Salomon Br	0.60	4.4		454	13¾	13⅝	13⅝	-⅛
25	21¼	SanDgo G&E	1.44	6.0	14	309	24¼	24⅛	24⅛	-⅛

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30¾	26¼	Yankee Egy	1.66	5.5	14	41	30½	30¼	30¼	-⅛
1½	½	Zapata			26	142	1	1	1	
11⅝	5¾	ZenithElec			3	923	6⅞	d6½	6⅝	-⅛
19½	14½	Zenith Nat	1.00	6.0	6	67	16⅞	16⅝	16⅝	-⅛
7⅞	6	Zenix Inc x	0.82	11.2		14	7¼	7⅛	7¼	
13⅝	10	Zero Corp	0.46	3.8	17	278	11⅞	10½	11⅝	+⅛
38	27¾	Zurn Ind x	0.88	2.9	33	115	30½	30⅛	30¼	-½
14⅝	12	Zweig Fund	1.14	9.0		472	12⅝	12¼	12⅝	
11	9½	Zweig Tot	0.96	9.5		1088	10⅛	10	10⅛	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:15 pm October 5

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pacific	0.60	20	64	11½	11	11	-½
Pat H&P	1.16	13	36	16½	16¼	16½	-¼

NASDAQ NATIONAL MARKET

3 pm October 5

AMERICA

Dow recovers slightly after early slump

Wall Street

US prices recovered some ground from dramatic early losses yesterday morning, but sentiment remained severely depressed amid continued concern about the economic outlook, *writes Patrick Harverson in New York.*

By 1pm the Dow Jones Industrial Average was down 63.76 at 3,136.85, but well off its lows for the session when the index had been more than 100 points lower than Friday's close. The more broadly based Standard & Poor's 500 was also sharply lower at the halfway mark, down 9.29 at 401.21, while the Amex composite was down 8.10 at 363.14 and the Nasdaq 14.57 lower at 557.06. Turnover was heavy at 186m shares by 1pm, and declines outpaced losses by 1,746 to 189.

Losses on European markets and last Friday's 53-point drop in the Dow set the tone for a bad start. The Dow fell 26 points in the first half hour, and with program selling filling a market vacuum created by the absence of buyers, the index fell in the next 90 minutes to a new 1992 low of just below 3,100.

Traders said reasons for the losses included: deepening concern about the economic outlook; disappointment that the Federal Reserve did not cut interest rates on Friday after a bad September employment report; a growing belief that Governor Bill Clinton will win the presidency in November and that a Democratic victory has yet to be fully priced into the market; and fear that stock prices may prove overvalued if third and fourth quarter corporate earnings fail to match up to expectations.

Prices recovered, however, in late morning as program selling petered out and some investors returned to pick up stocks. Sentiment was also aided by talk that the Fed will cut interest rates after all, quite possibly after today's meeting of the policy-making open market committee.

The losses were evenly spread among leading stocks, with Philip Morris down $2 at $81⅞, Merck down $1¼ at $41¾, Disney $1 lower at $33⅞, and General Electric down $1⅛ at $74¼.

Brazilian equities dropped by 7.2 per cent in midday trading as uncertainty over acting President Itamar Franco's new economic team gripped the market, *Reuter reports from São Paulo.*

Telebras, the state telecommunications company which accounts for the bulk of market turnover, dropped sharply, trading just after noon at Cr121, a fall of 11 per cent.

Marriott bucked the trend, rising $1⅜ to $18⅜ after the hotels group announced plans to split its operations into two separate companies, one for food and lodging and one for real estate.

USAir fell $⅜ to $11¼ as the company's machinists and mechanics went on strike, halting a large number of the carrier's flights.

Canada

TORONTO stocks stabilised about 60 points lower at midday, after falling some 80 points during the morning. The TSE 300 composite index was down 59.4 or 1.8 per cent at 3,171.7 in turnover of C$276m. Declines outpaced advances by 416 to 66.

SOUTH AFRICA

JOHANNESBURG fell in line with overseas markets but gold shares ended firmer as the financial rand weakened against the dollar. The overall index lost 66 or 2.1 per cent to 3,114 and industrials 78 to 4,103. The gold index advanced 15 to 902 with Vaal Reefs up R6.50 at R136.00.

EUROPE

Continent drops as economic outlook worsens

OCTOBER's record as a month for stock market crashes, combined with falls in currencies and on Wall Street and weekend comment on domestic economic prospects, put European bourses in a seriously fragile mood yesterday, *writes Our Markets Staff.*

FRANKFURT dropped on weekend gloom about job cuts, the DAX index falling 53.64 to a new 20-month low of 1,424.40; it could have broken down through 1,400, said a dealer, if Frankfurt trading hours had matched those of London.

UK holders of German stocks realised that they still had profits to take in sterling terms. The drop in share prices reflected institutional selling in an illiquid market, although turnover rose on the day.

Downgrades continued, and widened as Nikko Europe brought 1992 earnings growth projections for the market down from a plus of 8 per cent at the beginning of the year to minus 5 per cent yesterday.

Export stocks came under pressure again. In carmakers, Warburgs downgraded Volkswagen which dropped 6 per cent to DM263.20, and extended its drop to 9.3 per cent at the London post-bourse close.

FT-SE Eurotrack 100 - Oct 5

Hourly changes							
Open	11.30am	12 pm	1 pm	2 pm	3 pm	4 pm	close
966.75	963.15	962.43	961.63	960.33	957.69	944.69	937.42

Day's High 966.75 Day's Low 937.17

Oct 2	Oct 1	Sep 30	Sep 29	Sep 28
993.56	1006.01	1002.44	1009.98	1018.40

Base value 1000 (26/10/90)

EUROPEAN STOCK MARKETS - CHANGES ON DAY

Market	Fall %	Market	Fall %
Sweden	6.2	Germany	3.6
Norway	4.8	Spain	3.6
Switzerland	4.3	Belgium	3.3
France	4.3	Finland	2.5
Austria	3.7	Denmark	1.9
Netherlands	3.6	Italy	1.9

James Capel was a heavy seller of BMW, and of Mannesmann where it had downgraded its EPS projection from DM11 to DM8 for next year. The shares dropped 5.8 per cent to DM201.50.

Chemicals also came under heavy selling pressure. Hoechst fared worst, off DM11.20 at DM218.10 on a recent negative report on bulk plastics of which the company is the biggest exporter.

PARIS tumbled as foreign and domestic investors sold heavily and there was a suspicion that the brief recovery towards the close was due to support buying by the government-owned Caisse des Depôts. The CAC-40 index dropped below the important 1,600 level to 1,577.74 before closing 72.30 lower at 1,611.04 in heavy turnover of FFr3.4bn.

Dealers said that they expected a technical bounce today but that institutions would use this as an opportunity to offload more stock. They added that the market's trend remained downwards, with the new trading range at between 1,500 and 1,600.

Selling was across the board, though one of the most prominent losers was Eurotunnel which dropped FFr4.95 or 14 per cent to FFr30.35. Investors were disappointed by official comments made an analysts' meeting yesterday.

MILAN was depressed by a flood of orders to sell Stet from foreign and domestic investors, disgusted by Friday's news that the telecommunications company was going to pay L700bn for an 83.3 per cent stake in the state software company, Finsiel.

The 23.4 per cent drop in Stet shares, continued weakness of the lira against the mark and falls on foreign bourses worried the market. But the Comit index contained its loss to 6.9 points at 358.37, since trading in other shares was quiet. The big volume in Stet – estimated to be at least 13m ordinary shares – boosted the day's turnover to around L140bn from Friday's L125bn.

Stet ordinary shares fell L315 to L1,035 at the official fixing, though trading in the stock had initially been suspended because of an order imbalance.

James Capel, echoing the view held by other market participants, said the the government's decision to sell Finsiel to Stet was blatantly political, ignored the wishes and rights of minority shareholders and stuffed Stet with a wholly incompatible business. The broker now regarded Stet as an outright sell since the transaction would result in heavy dilution and higher interest costs, and consequently cut its 1993 forecast for group net income by L80bn to L1,490bn.

AMSTERDAM fell steadily in line with neighbouring markets as the CBS Tendency index closed down 4.00 at 106.1. Akzo was one of the day's biggest losers, down Fl 7.60 or 5.4 per cent at Fl 132.80 while Elsevier, Fl 4.80 lower at Fl 104.60, was also affected by sterling's weakness. Nedlloyd, which rose at the opening on news of stakebuilding by DNO, the Norwegian oil group, fell Fl 1.30 to Fl 32.70.

ZURICH selling centred on industrial blue chips as the SMI index fell 80.3 to 1,787.38. The dollar-sensitive pharmaceuticals featured with Ciba-Geigy down SFr21 to SFr608, Sandoz SFr70 francs to SFr2,720 and Roche SFr160 to SFr3,380. However, the defensive qualities of the banking sector were not so evident as in some other bourses, as UBS fell SFr24 to SFr75, SBC by SFr7 to SFr269 and CS Holding by SFr90 to SFr1,875.

STOCKHOLM's concern over high interest rates and currency turbulence sent the Affärsvärlden General index down 42.2 to a new 1992 low of 1639.0 in moderate turnover of SKr443m after SKr350m.

Stora B fell SKr11 to SKr175 after the forestry and paper group revealed an eight-month loss after a corresponding profit last year.

MADRID was unimpressed by the partial relaxation of capital controls and the general index fell 6.8 to 179.48 with the losses spread throughout the large blue chip stocks. Turnover was Pta13.4bn.

Banesto went against the trend with a Pta35 rise to Pta1,955. Elsewhere Repsol weakened Pta135 to Pta2,090 while Telefónica extended last week's losses, down Pta53 to Pta976.

VIENNA's fall was largely the result of interbank transactions, dealers said. The ATX index shed 29.87 or 3.7 per cent to 769.45.

Nikkei extends fall to seventh consecutive session

Tokyo

INCREASING concerns over a delayed economic recovery in the US depressed share prices, and the Nikkei average extended its decline for the seventh session, its longest consecutive fall this year, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed down 225.57 to 17,101.50 on arbitrage unwinding. The index opened at the day's high of 17,265.20 before falling to the day's low of 16,962.29 later in the morning.

Volume fell to 180m shares from 245m, below 200m for the first time since August 18. Losers led gainers by 653 to 274, with 158 issues remaining unchanged. The Topix index of all first section stocks lost 10.43 to 1,292.71 and in London the ISE/Nikkei 50 index 7.08 to 1,020.74.

Small-lot buying by public funds was noted in the afternoon but investors remained inactive following last week's fall on Wall Street. The higher yen and worries over profits at leading Japanese exporters also depressed sentiment.

Investors said that the effects of the economic support package were wearing off. "The market went up way too fast and there was bound to a correction," said Mr Alan Livsey at Kleinwort Benson. The market has lost 8.1 per cent since the index started to fall on September 25.

Construction companies lost ground, dragged down by Shimizu, which fell Y40 to Y910. Investors rushed to place sell orders on last week's announcement, that the company expected to post losses on the liquidation of its UK and Australian subsidiaries.

Leading exporters were depressed on the yen's strength. Matsushita Electric Industrial lost Y20 to Y1,070, and Nikon, the precision manufacturer, Y21 to Y600. However, Hitachi added Y13 to Y740 on bargain hunting by public funds.

Alps Electric lost Y39 to Y870 on its announcement that it expected to post an 89 per cent fall in pre-tax profits for the fiscal year to next March. It also announced a Y5 cut in dividends per share for the business year.

Aisin Seiki, a auto parts maker affiliated to Toyota Motor, rose Y42 to Y1,040, becoming the day's most actively traded issue. The company has become popular among short-term speculators on the reported success of its room-temperature nuclear fusion experiment.

In Osaka, the OSE average lost 214.31 to 18,717.38 in volume of 4.1m shares. Foreign investors were seen liquidating Nintendo, the video game maker, which fell Y70 to Y9,700.

Roundup

TOKYO's decline was reflected in the region's weakness yesterday. Hong Kong was closed for a public holiday.

AUSTRALIA retreated further but volume remained low because of a public holiday in New South Wales.

The All Ordinaries finished at its lowest level for 18 months, down 15.80 at 1,467.1 with 52m shares traded worth A$111m.

The banking sector remained under pressure with BHP shedding 24 cents to A$11.70 and ANZ striking its lowest level for nearly seven years, down 11 cents at A$2.77.

SEOUL fell on fears of political unrest, on reports that the steel tycoon, Park Tae-joon, had offered to quit as head of Pohang Iron and Steel and might decline to act as campaign manager for the ruling party's presidential candidate.

The composite stock index closed 10.90, or 2.1 per cent lower at 502.32 in turnover of Won94.56bn, having been closed on Saturday for National Foundation Day.

TAIWAN tried to accelerate last week's uptrend, with the weighted index up 70 points after the central bank's 0.5 percentage point cut in the rediscount rate last Saturday; but it lost momentum, and the index ended 16.20 better at 3,720.45 in turnover up from T$22.08bn to T$24.8bn.

BANGKOK saw profit-taking in property groups and banks which had both risen strongly last week. The SET index fell 3.11 to 877.60 in turnover of Bt14.6bn. Advances led declines 127 to 114 with 47 unchanged. Bangkok Land and Krisda Mahanakorn lost Bt2 and Bt10 respectively to Bt143 and Bt175.

MANILA rose around midsession as aggressive buyers came in to accumulate stocks ahead of a long-awaited fourth-quarter climb. The composite index rose 13.87 to 1,442.65.

NEW ZEALAND was dominated by trading in Fletcher Challenge and Carter Holt Harvey and the NZSE-40 index lost 11.43 to 1,412.00. Turnover was moderate at NZ$12.6m.

FLC fell 3 cents to NZ$1.91 and Carter Holt Harvey lost 1 cent to NZ$2.49.

ERM turmoil keeps pressure on bourses

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-2.54	+7.31	-24.47	-6.86	+5.60	-2.40
Belgium	-0.81	+2.86	-2.35	-4.41	+10.89	+2.30
Denmark	+0.08	-0.62	-30.14	-26.49	-13.68	-20.37
Finland	+5.56	+17.81	-23.30	-16.75	-17.62	-24.01
France	-7.29	-5.00	-8.59	-3.88	+13.27	+4.49
Germany	-2.07	-3.17	-11.51	-8.97	+6.28	-1.96
Ireland	-6.32	-6.60	-21.22	-18.21	-6.01	-13.29
Italy	+2.14	-0.13	-30.56	-26.04	-26.16	-31.87
Netherlands	-1.24	+1.82	+2.03	+3.16	+20.49	+11.15
Norway	-0.16	+4.89	-34.10	-19.60	-9.88	-16.85
Spain	-7.03	-14.02	-30.18	-24.67	-21.28	-27.38
Sweden	-3.02	-6.25	-25.40	-14.78	-4.26	-11.67
Switzerland	-2.46	+3.71	+8.69	+10.34	+30.18	+20.09
UK	-2.07	+8.34	-4.76	+1.91	+1.91	-5.98
EUROPE	-2.76	+1.94	-8.95	-3.98	+4.05	-4.01
Australia	-1.00	-3.12	-9.47	-12.48	-10.44	-17.39
Hong Kong	-1.89	-1.62	+36.95	+29.96	+41.87	+30.88
Japan	-5.36	-6.98	-29.27	-23.41	-13.04	-19.78
Malaysia	-0.97	+4.21	+13.83	+5.85	+25.08	+15.39
New Zealand	-3.63	-5.15	-9.11	-13.08	-5.21	-12.54
Singapore	+0.85	-2.32	-6.55	-15.83	-7.13	-14.33
Canada	-4.79	-6.57	-6.95	-9.22	-9.24	-16.27
USA	-0.68	-1.47	+6.22	-1.41	+6.86	-1.41
Mexico	+6.54	-1.30	+9.42	-6.42	-0.91	-8.59
South Africa	-1.17	-1.03	-6.43	-10.10	-29.12	-34.62
WORLD INDEX	-2.64	-2.79	-9.39	-8.57	-0.62	-8.32

† Based on October 2nd 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

By Antonia Sharpe

Continued turmoil in the European Exchange Rate Mechanism and disappointment that the Bundesbank did not lower its interest rates kept the pressure on European bourses last week.

The FT-Actuaries World index lost 2.6 per cent in local currency terms, burdened by falls in Europe and by the 5.4 per cent drop in Japan.

The worst performer was France, which fell by 7.3 per cent on fears that foreign exchange speculators had not given up their fight with the French authorities. The consequent rise in short-term money market rates to protect the French currency, to around 13¾ per cent from 10½ per cent before Black Wednesday, has severely depressed the bourse.

Mr David Harrington at James Capel in Paris has detected net selling by UK and US institutional investors, perhaps as asset allocators increase their weightings in favour of bonds. A spate of poor interim results and a growing consensus that 1993 earnings estimates could be too high have also prompted investors to sell.

"In the short-term, there is not a lot of scope for the French market," says Mr Harrington, though he does not rule out a trading bounce. However, the longer-term prospects for French equities are better than elsewhere on the Continent.

Spain came a close second in the worst performance stakes, losing 7 per cent after an announcement by Moody's, the US credit rating agency, that it might lower its credit rating on Spanish foreign debt paper reduced an already enfeebled stock market to a wreck.

In a week when there were few gainers, Mexico stood out with a rise of 6.5 per cent, fuelled by end of quarter cross-trades and the Treasury bill auction which resulted in unchanged longer-term rates, except the 28-day rate which rose by 25 basis points to 19.25 per cent. Some operators had been fearing a higher increase in rates.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — FRIDAY OCTOBER 2 1992

Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield
Australia (68)	124.62	+1.2	107.05	93.98	91.26	115.55	+0.7	4.22
Austria (19)	162.53	+0.8	139.61	122.57	119.02	119.59	+0.4	2.44
Belgium (42)	147.66	+0.0	126.84	111.34	108.13	106.33	-0.6	5.79
Canada (114)	114.12	-2.0	98.02	86.05	83.56	103.62	-1.2	3.42
Denmark (33)	212.74	+1.5	182.74	160.43	155.78	158.78	+1.2	1.80
Finland (15)	59.29	+0.6	50.93	44.72	43.42	56.37	+1.0	2.50
France (101)	157.19	-1.0	135.03	118.53	115.10	117.56	-2.0	3.84
Germany (64)	115.03	+0.9	98.81	86.76	84.23	84.23	-0.3	2.72
Hong Kong (53)	230.82	+0.9	198.26	174.06	169.03	228.92	+0.9	3.84
Ireland (16)	145.50	-0.1	124.98	109.72	106.54	110.67	-0.1	4.90
Italy (77)	51.36	+0.7	44.12	38.73	37.61	47.83	+0.7	4.36
Japan (472)	108.96	+0.4	93.59	82.17	79.80	82.17	-0.2	1.04
Malaysia (69)	247.15	-0.5	212.29	186.37	180.96	237.58	-0.4	2.75
Mexico (18)	1271.69	+1.6	1092.35	959.00	931.23	4328.31	+1.7	1.39
Netherland (25)	169.70	+0.8	145.77	127.98	124.27	122.84	-0.4	4.61
New Zealand (14)	41.09	+2.1	35.29	30.99	30.09	40.13	+1.6	5.64
Norway (22)	148.68	-0.4	127.70	112.11	108.86	115.38	-0.7	2.08
Singapore (38)	188.21	-0.2	161.67	141.93	137.82	138.04	-0.3	2.38
South Africa (60)	162.74	-2.4	139.79	122.72	119.17	155.51	-0.7	3.27
Spain (48)	113.59	+0.0	97.57	85.66	83.18	86.31	+0.3	6.90
Sweden (30)	160.00	-2.3	137.43	120.66	117.17	126.56	-2.5	3.25
Switzerland (60)	120.53	-0.8	103.53	90.90	88.27	93.03	-0.8	2.30
United Kingdom (228)	174.24	-1.4	149.66	131.38	127.58	149.66	-0.8	4.90
USA (522)	167.48	-1.3	143.86	126.30	122.65	167.48	-1.3	3.03
Europe (780)	141.77	-0.6	121.77	106.91	103.82	112.78	-0.8	4.17
Nordic (100)	151.73	-0.8	130.33	114.42	111.11	113.52	-1.1	2.64
Pacific Basin (714)	113.20	+0.4	97.24	85.37	82.89	87.37	-0.1	1.38
Euro – Pacific (1494)	124.76	-0.1	107.16	94.07	91.35	97.71	-0.4	2.66
North America (636)	164.16	-1.4	141.01	123.81	120.23	163.14	-1.3	3.05
Europe Ex. UK (552)	121.90	-0.1	104.71	91.95	89.28	92.54	-0.8	3.66
Pacific Ex. Japan (242)	154.79	+0.8	132.96	116.75	113.36	139.78	+0.6	3.77
World Ex. US (1686)	125.46	-0.1	107.77	94.62	91.87	99.60	-0.4	2.68
World Ex. UK (1980)	135.31	-0.5	116.22	102.04	99.09	117.52	-0.8	2.58
World Ex. So. Af. (2148)	138.61	-0.6	119.07	104.54	101.51	120.08	-0.8	2.82
World Ex. Japan (1736)	155.72	-1.0	133.76	117.44	114.04	142.55	-1.0	3.47
The World Index (2208)	138.68	-0.6	119.12	104.56	101.56	120.42	-0.8	2.82

THURSDAY OCTOBER 1 1992 / DOLLAR INDEX

Market	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	123.18	105.17	93.44	91.29	114.70	153.68	123.18	152.90
Austria (19)	161.23	137.66	122.31	119.49	119.15	186.70	139.27	179.72
Belgium (42)	147.72	126.12	112.04	109.48	106.92	152.27	135.87	129.50
Canada (114)	116.48	99.45	88.35	86.32	104.92	142.12	114.12	134.95
Denmark (33)	209.55	178.91	158.95	155.30	156.97	273.94	196.78	253.76
Finland (15)	58.96	50.34	44.72	43.69	55.80	89.80	52.84	86.07
France (101)	158.79	135.57	120.44	117.67	120.00	168.75	148.06	141.75
Germany (64)	114.00	97.33	86.49	84.49	84.49	129.69	111.48	108.83
Hong Kong (53)	228.80	195.35	173.55	169.58	226.86	259.55	176.36	168.52
Ireland (16)	145.61	124.32	110.45	107.92	110.82	173.71	145.50	158.90
Italy (77)	51.00	43.54	38.68	37.80	47.50	80.86	49.25	72.08
Japan (472)	108.54	92.67	82.33	80.45	82.33	140.95	87.27	143.12
Malaysia (69)	248.31	212.01	188.35	184.02	238.66	250.65	212.49	193.76
Mexico (18)	1251.63	1068.61	949.41	927.60	4255.23	1789.77	1185.84	1194.46
Netherland (25)	168.39	143.77	127.73	124.80	123.39	169.70	147.88	139.35
New Zealand (14)	40.23	34.35	30.52	29.82	39.49	48.52	40.23	46.39
Norway (22)	149.32	127.48	113.26	110.66	117.19	192.95	136.40	195.84
Singapore (38)	188.57	161.00	143.04	139.75	138.39	229.63	180.71	189.79
South Africa (60)	166.69	142.32	126.44	123.53	156.54	263.60	162.74	250.58
Spain (48)	113.55	96.95	86.13	84.15	86.07	161.72	113.55	151.77
Sweden (30)	163.74	139.80	124.21	121.35	129.87	200.28	156.39	186.77
Switzerland (60)	121.55	103.78	92.21	90.09	93.82	122.37	95.99	94.19
United Kingdom (228)	176.76	150.91	134.06	130.99	150.91	200.07	165.85	182.86
USA (522)	169.76	144.94	128.77	125.82	169.76	173.39	160.92	154.94
Europe (780)	142.66	121.80	108.21	105.73	113.67	156.88	138.52	141.92
Nordic (100)	152.97	130.60	116.03	113.37	114.73	188.52	147.25	184.11
Pacific Basin (714)	112.71	96.23	85.50	83.53	87.45	141.97	93.70	143.31
Euro – Pacific (1494)	124.83	106.57	94.68	92.51	98.12	145.21	113.80	143.10
North America (636)	166.44	142.11	126.27	123.38	165.35	170.49	158.70	153.64
Europe Ex. UK (552)	121.96	104.13	92.53	90.41	93.25	132.98	119.63	117.85
Pacific Ex. Japan (242)	153.64	131.17	116.56	113.87	138.98	175.31	149.00	145.03
World Ex. US (1686)	125.63	107.26	95.30	93.11	100.03	146.91	116.18	144.59
World Ex. UK (1980)	136.03	116.14	103.19	100.83	118.47	150.58	127.21	143.59
World Ex. So. Af. (2148)	139.47	119.08	105.80	103.37	121.05	153.05	130.04	146.32
World Ex. Japan (1736)	157.28	134.28	119.31	116.58	143.99	165.40	153.20	150.47
The World Index (2208)	139.56	119.15	105.86	103.44	121.40	153.70	130.66	147.00

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Latest prices were unavailable for this edition

CABLE AND SATELLITE BROADCASTING

SECTION III

Tuesday October 6 1992

New technology is beginning to deliver the choice for television viewers that has long been forecast. If the global village has not yet arrived in its entirety, it is becoming a reality for many millions in the US, Asia and Europe, writes **Raymond Snoddy**

The providers are beaming

NEXT month Britain will get a new general entertainment satellite television channel, UK Gold, from the BBC and Thames television, and backed by Cox Enterprises of the US.

Around the same time Deutsche Welle, the international German broadcaster, starts a German language television service beamed in by satellite for north and Latin America.

BBC World Service Television, already available in Asia and Africa, has just achieved its first North American landfall in a deal with the Canadian Broadcasting Corporation.

A few weeks later, two Hong Kong businessmen, Mr T.T. Tsui and Mr David Pang, will launch a business and factual channel aimed at Europeans interested in news of greater China – China, Taiwan and Hong Kong. The broadcasts will be in English but there will be programme repeats in Mandarin and Cantonese.

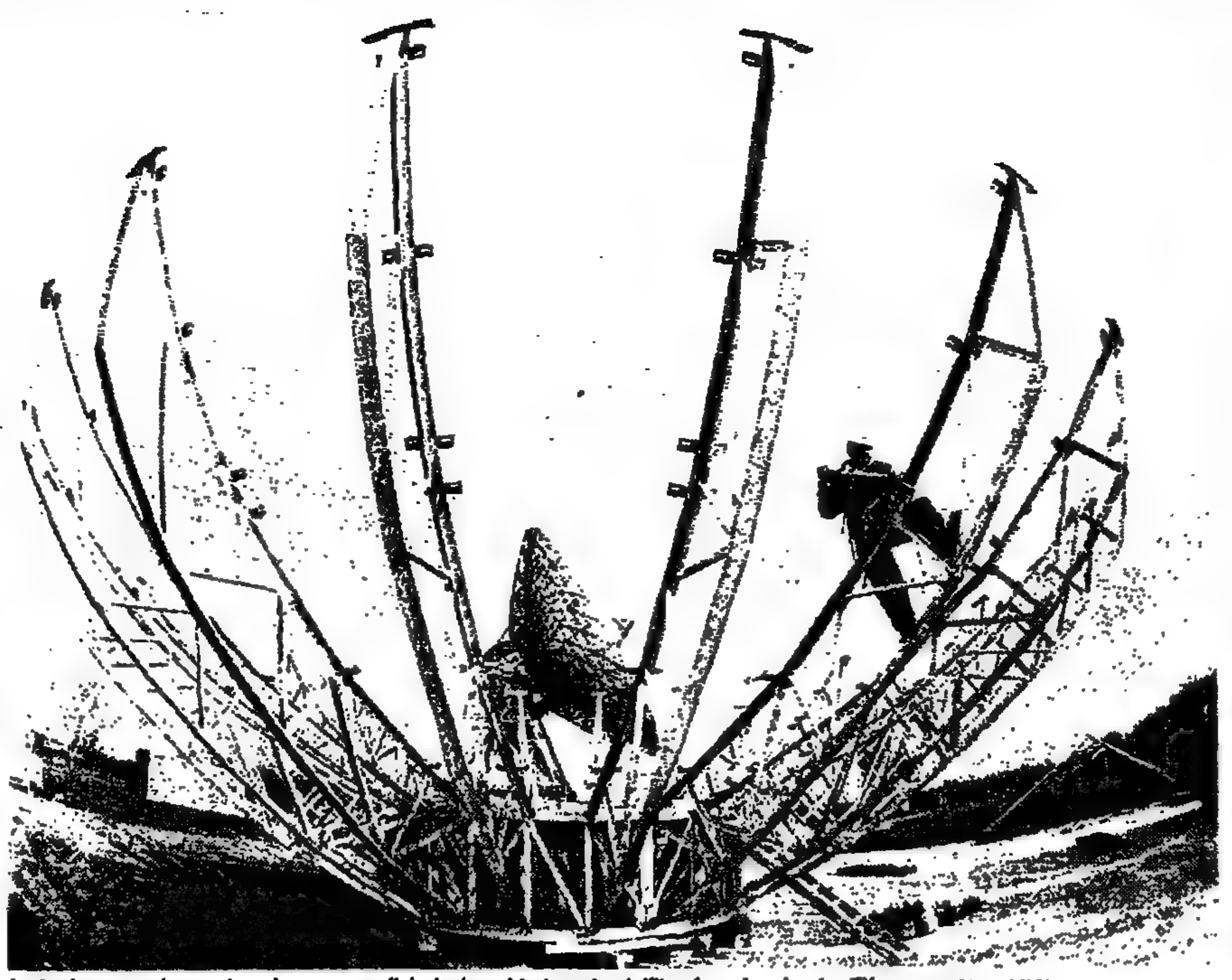
A few examples from the list of new television developments planned for this autumn suggests that after many delays, false starts and false promises the new media of satellite and cable television technology are beginning to deliver the choice that has long been forecast. If the global village predicted by Marshall McLuhan has not arrived in its entirety, it is becoming a reality for many millions.

The growth of 24-hours-a-day international television news services offered by organisations such as Mr Ted Turner's Cable News Network (CNN), or the BBC, is being matched by imaginative ventures to offer consumers an unprecedented choice of entertainment.

The US media giant, Time Warner, has launched a 150-channel cable network in New York with many of the extra channels given over to the staggered showing of hit films on a pay-per-view basis. Subscribers are never more than 30 minutes away from the start of a film they want to see.

In Los Angeles, Hughes Communications are at work on a high power satellite system capable of delivering 150 channels, using digital compression techniques, to all of the US. Apart from broadcasting 20 channels to rural areas with limited television choice, carrying big sports events not being transmitted by the national networks, the project, DirectTv, will also specialise in pay-per-view film box office with a selection of films starting every 30 minutes.

Many ventures in the new media of communication are speculative and loss-making, or require vast investment and equal faith, but there are now enough success stories in many parts of the world to suggest that, in spite of all the damaging hype, multi-channel television in all its forms is a significant industry which will in time change the pattern of communications.



In the frame: a rigger at work on a new dish designed to target satellites from London for TV news programmes

Last year, according to CIT research, the London-based market research group specialising in communications, satellite carriers such as Intersal, Eutelsat and private groups such as SES, owners of the Astra satellite system, earned around $600m, more than 55 per cent of it from broadcast television. By 2001, CIT estimates the figure will have grown to $3bn, although the proportion from television will probably drop.

Sale of satellite dishes is now the single most important product line for Amstrad Consumer Electronics – a business worth around £150m a year to the company. Amstrad claims a dominant position in the UK market with a share of about 70 per cent, with Pace number two with more than 20 per cent. Amstrad also claims leadership of the German market with a 35 per cent share.

But it is Amstrad's third most important market which is more surprising. It is Poland where the overall market is taking more than 250,000 satellite dishes a year in spite of the country's financial problems.

One-metre satellite dishes adorn the balconies of Warsaw flats and it is a very poor hotel that does not have Sky News, or CNN, plus channels such as MTV, the pop music channel, Screen Sport or German language channels such as RTL Plus.

According to a recent study by Carat, the international media buying organisation, and Continental Research, the market research group, 39.2m television households in western Europe will be able to receive channels from the Astra satellite system, or 25 per cent of the total.

The two Astra satellites already in operation can broadcast 32 channels and a third satellite with a further 16-channel capacity is due to be launched next year. The main language groups on Astra are English and German, although the organisation has recently signed a two-channel deal with Spain with an option for two further channels.

Carat/Continental predict that by 2000 the number of homes capable of receiving Astra channels will have risen to 72.6m out of the total of 152m television homes – 65 per cent of them via cable network the rest using satellite dishes.

The UK and Germany are at the moment the main markets for satellite television in Europe. In Germany it is projected that no less than 63 per cent of homes will be able to receive Astra channels.

In the UK satellite television continues to make progress. British Sky Broadcasting, a consortium in which Pearson, owners of the Financial Times, has a stake, says it is now available in around 2.5m homes – although some estimates are lower – and around 1.5m subscribe to at least one of the two premium movie channels. BSkyB recently caused controversy by outbidding ITV for exclusive live rights to the new Premier football league in the UK. At the beginning of this month the venture launched a third film channel, based on films of the last 30 years, which will be available free to those who subscribe to the two premium channels.

Modern multi-channel cable has been slow to develop in the UK but the number of homes passed by the new networks and the number of subscribers continues to grow. At the beginning of July – the most recent statistics – subscribers to modern broadband systems rose to 330,630, a net increase of 13.5 per cent over the previous three months, and a 72.5 per cent rise in the past year.

Cable building is pushing ahead in spite of the recession because of the continued support of large North American players such as US West, TCI, Southwestern Bell, Videotron and Bell Canada.

All of them increasingly see cable as not just a method of delivering extra channels of television but at the same time offering telephone services.

The number of consumers who have signed up for telephones from their cable companies, working mainly in association with Mercury Communications, is still small in absolute terms. But the growth rates are starting to look dramatic. In January 1991 in the UK there was a total of 2,224 cable telephone lines. By this July the number had risen to 47,902 lines.

In spite of the growing number of satellite channels, cable has the potential for much greater channel capacity and can target its services to particular areas.

In cosmopolitan areas of cities cable operators can tailor their services appropriately. Thus, Videotron, in its London franchises, is offering multi-cultural programming at the weekends in the space left vacant when the parliamentary channel closes down on Friday. The five segments will cover programmes for London's Asian, Greek, Afro-Caribbean, Turkish and Farsi-speaking population.

As conventional satellite and cable television channels are establishing themselves, new kinds of interactive – or two-way television – are also on the way.

Apart from pay-per-view and game shows where viewers can participate directly, interactive television includes two-way video teleconferencing and other forms of educational and business television.

Consultants, Frost & Sullivan, believe that interactive television will be a $1.65bn market in the US by 1996. "Virtually every large company that is involved in the fields of consumer electronics, television production, television broadcasting, cable TV, professional video equipment, telecommunications or computers – a high confluence of industries – see interactive TV as the key to its future growth," Frost & Sullivan argues.

IN THIS SURVEY

Editorial production: Roy Terry
Design: Philip Hunt

Raymond Snoddy looks at the UK's satellite television venture

Pay TV reaches for the sky

THE UK's six-channel satellite television venture, British Sky Broadcasting, is one of the most remarkable media news stories of the past decade.

It is remarkable for the number of subscribers it has signed up but equally so for the enormity of what it has cost and the degree of controversy it has aroused and the disputes over how well it is or is not doing.

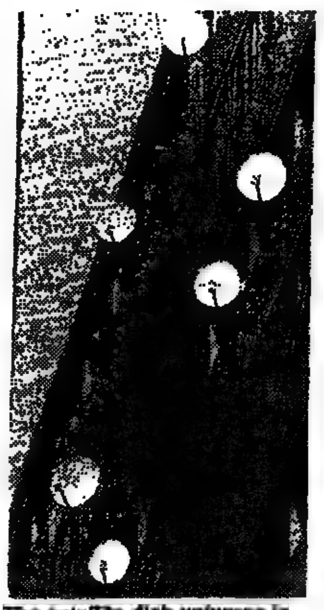
What is clear, however, is that since the forced merger in November 1990 of British Satellite Broadcasting and Sky Television the combined consortium is the leading satellite pay television business in Europe with 1.5m subscribers.

Canal Plus, the French pay television service, is far ahead with more than 3.5m subscribers but much of its enormous strength flows from controlling a conventional national television channel. Among broadcasters using satellite distribution BSkyB, a consortium in which Pearson, owners of the Financial Times, has a significant stake, has more than twice as many subscribers as its nearest rival FilmNet which broadcasts to the Scandinavian countries and Belgium and The Netherlands.

Earlier this year BSkyB, in co-operation with the BBC, turned up the heat when it outbid ITV with a £304m offer for five-year exclusive rights to live coverage of the new Premier football league.

There were allegations of skulduggery in the negotiations, complaints to the Office of Fair Trading, and worries that the league would suffer from the lack of visibility involved in taking games off national television. It is not yet clear whether recorded highlights on the BBC would be an adequate substitute, in terms of generating interest, for live games available to the whole population.

But if there is doubt about the long-term impact on the Premier league of moving to satellite television there is very little about the effects on BSkyB. The agreement has enabled the consortium to turn Sky Sports into a subscription channel at £5.99 a month although there were £2.99 special offers for the first year.



The satellite dish universe is widening rapidly

BSkyB already has attracted 950,000 satellite subscribers to Sky Sports and an estimated 110,000 on cable. Because of the discounting, the financial model is complex but already Sky Sports is getting close to break-even.

Scrambling Sky Sports so that it is only available to those who pay is a clear indication of the way the venture, and probably many of the other satellite channels, is moving. While satellite channels will, of course, try to raise as much advertising revenue as they can it is a business that will be based firmly on subscription revenues.

It is now obvious, that at least in the UK, the charging structure of satellite television, will ape that of cable with a charges for a "basic tier" of channels. Everything else will be à la carte with discounts for those who take most of the premium channels.

Until September, the BSkyB channels have been "free" apart from the subscription channels. Discussions are now at an advanced stage with United Artists programming to try to put together a basic tier of channels, including Sky One and Sky News, and channels such as Discovery, the documentary channel, Bravo, the classic films channel, and The Children's channel. Negotiations are still continuing on the precise financial terms but other channels may yet also decide to join the loose federation. The aim is to launch the new basic tier next October at a monthly charge of £2.99.

If possible BSkyB would like to keep the cost of access to all the available channels to £19.99 a month which is seen as a significant threshold. If they go too far above that there could be consumer resistance.

No-one knows what the effect will be of scrambling and charging for all the channels. At the moment the satellite dish universe is rising at monthly rates of 50,000 to 80,000 depending on the time of year.

If that rate of increase can be maintained after the introduction of full subscription packages then satellite television will become a very profitable business in the UK.

Since March, BSkyB has been profitable at the trading level and a £50m operational profit is expected for this year. This figure does not include the vast sums invested by Mr Rupert Murdoch's News Corporation and other big investors such as Granada, Pearson and Chargeurs. It could be many years before they get their money back although some City analysts looking at the subscription revenue flows are saying the company could be worth between £2bn to £3bn.

Mr Sam Chisholm, chief executive of BSkyB, says he is determined to keep the satellite company competitive and will offer however many channels it takes, in ventures with others, to try to ensure BSkyB is a "must purchase".

On October 1, Sky launched a third film channel to replace the Comedy Channel which was not a success. The channel of films from the past 30 years will be available free to those who take both premium film channels.

No precise numbers are available for the size of the satellite universe mainly because at the beginning all the channels were available free and therefore there were no subscriber bills to provide a check.

BSkyB says it has 1.5m subscribers taking at least one premium film channel with 81 per cent taking both. The company believes it is available direct via satellite dishes to a total of 2.6m homes apart from cable television. These estimates are in line with independent market research by Continental Research based on monthly interviews. Official figures from the Broadcasting Audience Research Board are lower and a six-monthly study by another market research group gives figures that are even lower.

In June, Continental put the dish universe at 2.423m, Barb at 2.208, and GFK 1.77m, which, if correct, would give an astonishingly high proportion of subscribers to non-subscribers. The new channels take about 30 per cent of viewing in satellite homes.

Zenith Media Worldwide, the media buying group, believes that by 2003 cable television will rival dishes in the UK as a means of distributing new channels. Overall by then the total household penetration of the new channels in the UK will, Zenith forecasts, reach 73 per cent.

BSkyB outbid ITV with a £304m bid for exclusive rights to the new Premier football league

Digging in: 330,630 homes in the UK were connected to broadband by July this year

Cable television in the UK is growing fast, says **Raymond Snoddy**

Broadening transmissions

DURING the recent Barcelona Olympics cable television subscribers to Videotron's London franchises were in a position to see more of the action than anyone else.

The Canadian-owned company devoted four channels to the Games – in addition to live coverage, Eurosport broadcast viewers could also watch events that started four or eight hours previously so that they could choose sports in which they were most interested. There was also immediate access to the latest results on a scoreboard channel.

The Videoway service attracted 90 per cent of cable viewers at some time over the Olympics and accounted for 40 per cent of viewing of Olympic events.

"Videoway adds value and vindicates our intention to introduce interactive television in the UK on a progressive basis starting towards the end of this year," says Mr Louis Brunel, managing director of Videotron Corporation which holds franchises covering 1.2m homes in the UK.

The company plans to introduce an interactive roulette game where the viewer will be able to play the game on the screen – at first just for chips but perhaps later for prizes. Soon after subscribers will be able to choose their own camera angles for sports such as ice hockey.

The developments are a small indication of how cable television is gradually beginning to broaden from the days when there was little more than films, sports, general entertainment and news.

Within the next few months some of the main London franchise holders will be connected for the first time. It will create new programming possibilities in the capital, help with marketing and selling advertising.

A segment of arts programming – Performance – is to be carried by the London link and from December it will be used to deliver The Family Channel, a successful, wholesome cable channel in the US available in more than 60m homes.

The company behind it, International Family Entertainment, recently launched a bid for TVS Entertainment, the south of England ITV company which has lost its franchise.

UK Gold, a channel which can draw on the extensive programme libraries of the BBC and Thames Television, will be launched on November 1.

There are also hopes in the cable industry that the Disney channel from the US after looking at the European market for some years will finally take the plunge.

In addition, decisions are imminent on UK Today, a new cable channel which could require investment of £21m. The channel which would carry daytime and life-style programming and regional sport would be financed by the cable industry itself and managed by United Artists Programming, one of the main suppliers of channels that are exclusive to cable networks.

The United Artists offering include The Children's Channel, Bravo, classic movies, Discovery, the factual channel, The Learning Channel and, since January this year, The Parliamentary Channel carrying uninterrupted, unedited live coverage of the House of Commons.

The broadening of programmes from cable is an indication that the industry is on the move even though progress has often been slow and uneven.

Every quarter the number of homes passed by the cable networks, and therefore able to subscribe, continues to grow as does the number who actually subscribe.

On July 1, the number of homes connected to broadband – or modern multi-channel systems – rose to 330,630, a net increase of 39,000 or 13.5 per cent over the previous three months and of 139,000 or 72.5 per cent over the past year.

The number of broadband homes passed totalled 1,567,559 giving a penetration rate – the proportion of those actually subscribing out of those who can – of 21.1 per cent, a figure that has been slowly sneaking up from 18.9 per cent a year ago.

When upgraded relay systems, which used to carry the normal four broadcast channels, are included there was a total of 552,105 cable homes at the beginning of July.

While acknowledging the progress, Mr Jon Davey, director of cable at the Independent Television Commission, is still disappointed at the speed of development.

In February, Mr Davey forecast that another 850,000 homes would be passed by cable this year. Now the total is more likely to be around 500,000.

Apart from the effects of the recession and uncertainty among some of the big North American players earlier this year about the possible effects of a Labour Government, there was one serious blow to cable development: Pacific Telesis, one of the big US regional telephone companies that had been enthusiastic backers of cable in the UK, suddenly announced it was pulling out. Cable was a perfectly reasonable business but it had decided instead to expand in mobile communications.

PacTel was one of the largest operators with stakes at the beginning of this year in franchises covering nearly 1.5m homes.

Interest is being expressed in the various PacTel franchises but the sale has inevitable caused a hiatus.

But other North American telephone companies such as Nynex, US West, Southwestern Bell and Bell Canada and cable companies such as Videotron, United Artists Cable, Comcast and CUC Cablevision are still pushing the industry ahead.

A new player with ambitions has arrived in the shape of Singapore Telecom in the Cambridge franchise and there are unconfirmed rumours of further Far East interest.

There are also signs that banks are becoming more willing to lend money to cable companies. Development so far has largely had to be through equity finance.

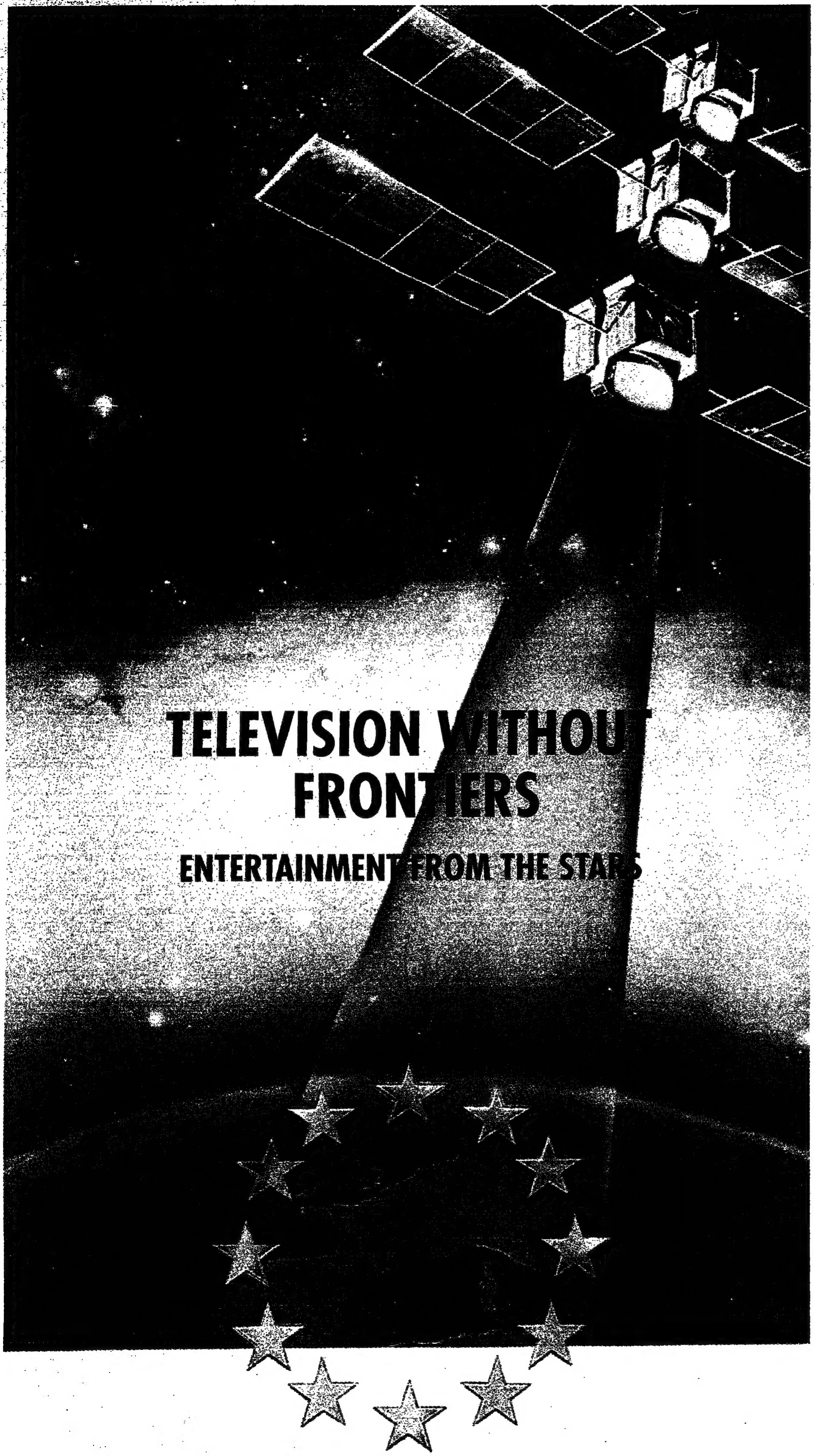
Some in the industry now believe that with improving choice of programme channels and a second stream of revenue opening up from providing telephone services as well television, cable has at last reached a critical mass and will soon have to be taken seriously.

"I am encouraged but I would like to see it developing faster than it is," commented the cautious Mr Davey.

Individual cable franchises*

Franchise	Homes connected	Homes passed	Penetration %
Croydon	25,968	107,184	24.2
Birmingham	20,062	58,925	34.1
Swindon	17,696	60,342	29.3
Windsor	15,843	90,546	17.5
Aberdeen	14,836	93,375	15.9
Greenwich & Lewisham	14,551	52,122	27.9
South Liverpool	14,184	53,773	26.4
Northampton	13,965	18,722	74.7
Southampton	13,341	73,700	18.1
Merton & Sutton	12,803	50,148	25.5
Ealing	12,071	51,804	23.3
Bristol	12,065	57,540	21.0
Westminster	10,975	56,495	19.4
Coventry	9,934	116,831	8.5
Central Lancs	9,321	53,395	17.5
Newham & Tower Hamlets	9,306	55,682	16.8
Dundee	8,656	23,040	37.6
Kensington & Chelsea	7,949	34,782	22.9
Lambeth & Southwark	7,204	22,452	32.1
Camden	6,967	25,324	27.5
Portsmouth	5,403	30,530	17.7
Glasgow	5,338	55,124	9.7
Leicester	5,017	25,439	19.7
Cambridge	4,371	17,484	25.0
East Lancashire	4,170	39,100	10.7
Hammersmith	3,930	18,442	21.3
Peterborough	3,672	19,800	18.8
Bolton	3,493	24,667	14.2
Enfield	3,393	8,670	39.1
Black Country	3,066	18,242	16.8
Thamesmead	2,619	7,217	36.3
Haringey	2,566	8,638	30.0

*Individual broadband franchises with more than 2,500 subscribers on July 1, 1992
Source: Independent Television Commission



Channels currently on the ASTRA Satellite System

Screensport
RTL Plus
TV3
Eurosport
The Children's Channel
Lifestyle
Satellite Jukebox
Sat 1
TV1000
Sky One
TV Asia
Teleclub
3 Sat
FilmNet
Sky News
RTL 4
Pro 7
MTV Europe
Sky Movies Plus
Premiere
The Movie Channel
ARD/1 Plus
Sky Sports
Tele 5
JSTV
N3
Sky Movies Gold
The Adult Channel
CNN International

and now, launching soon, two new Spanish channels.

Plus over 20 Radio Stations

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DPA

Traditional broadcasters are facing changes, says **Raymond Snoddy**

Intervention rocks the airwaves

THE UK's traditional broadcasters are in turmoil as government intervention and an increasingly competitive market begin to challenge what they do, how they do it and above all how much it costs.

The ITV network will over the next year be coming to terms with the provisions of the 1990 Broadcasting Act and the competitive tenders for new franchises which begin on January 1, 1993.

The date will mark the beginning of a new era in British commercial television, with new companies, unparalleled pressure to reduce costs and a much greater emphasis on ratings.

ITV could be about to face one of the most difficult years in its history. The unexpected length and depth of the advertising recession will put all budgets under pressure. The advertising revenue growth forecasts of bidders for new franchises averaged around 4 per cent a year in real terms over the next 10 years.

Some forecasters such as consultants Booz Allen now believe the more likely figure will be between 1 per cent and 2 per cent. National Economic Research Associates, which has been more bullish in the past, warned in a recent survey that confidence was lower than normal at this time of the year and that little real growth was expected for 1992 compared with last year.

ITV is not, however, about to go into a serious decline – advertising agencies predict net revenues of £1.8bn for this year. Yet potential instability could arise because of the particular problems faced by a number of companies which bid high to defeat serious opponents. In addition to having to pay large amounts of money to the Treasury companies such as HTV, the licence holders for Wales and the West and Yorkshire Television, which merged with Tyne Tees earlier this year have tended to lose market share as advertising revenue flowed towards the Midlands, London and the south.

An additional area of uncertainty arises from the fact that from the beginning of 1993 Channel 4 will sell its advertising competitively with ITV instead of, as at present, being funded by a set percentage of ITV advertising revenue.

The BBC has also come into the firing line as the long debate begins on the re-negotiation of its Royal Charter in 1996.

To improve efficiency the corporation has set up a system of Producer Choice under which producers will have the freedom to go to the outside market for services if they want to, a measure that is clearly likely to reduce staff employment.

The corporation is also moving towards a competitive strategy of providing "distinctive" programmes and not competing against every aspect of commercial and satellite television.

"The BBC will need to withdraw from areas in which it is no longer able or needed to make an original contribution," is how the organisation puts it although it is not yet clear what its "higher ground" programme philosophy will mean in practice.

Making the BBC the "National Theatre of the airwaves" was another objective set out in recently leaked documents. Yet the BBC is determined to remain in all the main genres of programme-making including comedy and light entertainment.

A clearer idea of what lies in store for the BBC will come later this month when the government publishes a green paper or discussion document on the future of the corporation.

All the signs are that the government believes there is a role for a public service broadcaster like the BBC well into the next century and that a universal licence fee is still the best method of funding. Considerable pressure is likely to be applied to ensure that the BBC is as efficient as possible.

In spite of the uncertainty and sometimes near hysteria surrounding the BBC's future the corporation is busy carving out a role for itself in the new media.

BBC World Service Television runs 24-hours-a-day satellite channels in Asia and Africa and plans to span the globe. Quite separately the BBC is in talks with Sky Television looking into the possibility of a joint 24-hour news service for the UK.

On November 1 the BBC and Thames Television, which has lost its ITV franchise, will launch UK Gold, an advertising-financed general entertainment.

The channel will be scheduled mainly from the libraries of Thames and the BBC and will include drama, soap opera, comedy and films. There will be no news, sport or current affairs.

The channel in which Thames will have 15 per cent plus a 5 per cent option and the BBC 20 per cent is a further sign of a growing secondary market in programmes which have already been shown on the main broadcast channels.

In September, BBC Enterprises, the commercial arm of the corporation, signed a 10-year deal with UK Gold for around 1,500 hours of programmes a year.

"This agreement represents further progress in turning UK Gold into a reality. Exclusive access to BBC and Thames programming is the heart of the channel, enabling it to offer classic British-made entertainment to the satellite television audience," BBC Enterprises said.

The BBC would eventually like to be involved in as many as five satellite channels offering everything from documentaries and wildlife to children's programmes as long as suitable partners can be found.

ITV is also starting to think about the possibility of launching its own UK Gold channel on satellite, a channel with the working title of ITV2.

Research is under way and ITV is due to take a decision on whether or not to become directly involved in satellite television within the next few weeks.

Joel Kibazo views the growing number of channels aimed at ethnic minorities

Programmes in their mother tongue

THE growth of satellite television in the UK over the past two years has allowed the expansion of channels directly targeted at ethnic minorities.

The new channels not only offer tailor-made programmes for communities which felt ignored by mainstream television, but also broadcast in mother languages. This new wave now includes stations broadcasting in Arabic, Hindi and Japanese.

Under the 1990 Broadcasting Act, a 10-year satellite broadcasting licence is issued more or less on request by the Independent Television Commission (ITC), provided the applicant meets ITC guidelines laid down by the ITC codes.

The cost of application and the first year's licence fee comes to £381 and unlike in the recent allocation of franchises for the ITV network, there is no quality threshold for satellite broadcasters.

Mr Jon Davey, director of cable and satellite at the ITC, said: "I think it is a good thing for those minorities that are not currently provided for."

TV Asia offers a mix of news, current affairs and light entertainment

One of the new licensees is TV Asia. Launched last August it is aimed at the 1.3m people in Britain of Asian origin. It is not the first station for the Asian community. Several services on cable have come and gone; one of the survivors is Asia Vision, which remains popular with London's Bengali community.

However, TV Asia, set up with an £8m budget, is the first to be transmitted via satellite (though it is also available on selected cable systems) and has already quickly established a high profile.

Broadcast in two blocks via the Comedy Channel and Sky One, both on the Astra satellite, TV Asia offers a mix of news, current affairs and light entertainment and draws heavily on the ready supply of Indian films from the sub-continent. Hindi, Urdu and English are the main broadcast languages, with special programmes broadcast in Punjabi, Gujarati, Bengali, and Tamil.

The potpourri of languages is having some unexpected results: the emergence of "Hinglish", a hybrid of English and Hindi, which already features in many Hindi pop songs and big screen films produced in India.

Backed by a consortium from Pakistan and India, the station draws its revenue from subscription (handled by Sky's subscription department) and advertising.

Charging £11.99 for a monthly subscription, it claims to have signed up 12,000 subscribers in the first month and says it is likely to break even within a year.

Mr Faisal Sherjan, chief executive, claims the station is going for "quality" programming, a claim loudly dismissed by some viewers who describe the programmes as the TV equivalent of "heavily diluted curry". Needless to say, it is this scheduling based on the lowest common denominator approach which holds out the greatest commercial potential, a fact which the station founders acknowledge. Mr Sherjan said: "The Asian community is an affluent community which does not spend its money in pubs and clubs. They are also big buyers of video cassette players and videos and we can offer the kind of product they want." The channel also hopes to reach Asian communities in Germany, Scandinavia, and the Benelux countries.

While TV Asia's target audience only extends to western Europe, Middle East Broadcasting Centre, launched in September 1991, provides family entertainment, films, current affairs and international news for Arabic speakers in the UK, Europe, North Africa and the Middle East.

MBC plans to start beaming programmes to the US within the next few months. Backed by businessmen in Saudi Arabia, MBC broadcasts 9½ hours a day with programmes transmitted via satellites operated by Eutelsat and Arabsat. It claims a potential audience of more than 100m people and its chief executive expects it to break even after five years.

In spite of MBC's ambitious global aspirations the distinction of being the first pan-Europe, non-European language channel was achieved by Japan Satellite Television (JSTV), launched two years ago.

Aimed at the Japanese expatriate community in Europe, which mostly consists of middle and senior management, it broadcasts daily between 7pm and 6am on Astra 1b (also known as the children's channel), and draws its menu of news, general entertainment, drama and educational programmes from both NHK, Japan's public broadcasting corporation, and commercial stations. A particular feature is the simultaneous broadcasting of news and current affairs programmes from Japan to Europe, though at £30 a month, subscription is above the average for satellite services.

In spite of the growing number of satellite stations, services continue to be launched on cable and in some cases in more imaginative forms. One such station is the Multicultural Televison launched last month by Videotron, the UK's fourth largest cable operator.

The five-hour service broadcasts only in London on Saturday and Sunday evenings on the parliamentary channel and its schedule is a mix of programmes to cater for London's Asian, Greek, Turkish Afro-Caribbean and Iranian community.

Not all minority channels are directly targeted at their own communities. Next month sees the launch of China News Europe, backed by Hong Kong tycoon T.T. Tsui and businessman David Tang.

Based in London, CNE plans to broadcast news and business programmes from China, Taiwan and Hong Kong. Programmes will be primarily in English, though repeated in Mandarin and Cantonese. Ms Betty Yao, general manager of CNE, is adamant about her target audience. "Our primary audience is English-speaking business people with an interest in greater China. We are not an ethnic station," she said.

Raymond Snoddy checks the loyalty of cable subscribers

Telephones provide staying power

THE numbers in Mr Larry Carlton's survey of the effect of offering telephone services on the loyalty of cable television were small but the results dramatic all the same.

Mr Carlton is president of TeleWest the joint venture between TeleCommunications Inc, the US cable television operator, and US West, the American telephone company and the largest single cable company in the UK.

He wanted to do a basic check on the anecdotal evidence that cable subscribers who take a telephone service as well as conventional cable television are much less prone to "churn". The term is industry jargon for subscribers who are disconnected either because they no longer want to pay or because they have simply moved house. Churn is the bane of the industry and can reach levels as high as 35 per cent a year which means as cable networks are built the search is always on for new subscribers not only to add to the existing total but to replace those who have been lost.

TeleWest looked at 100 cable television-only subscribers in its London south franchise who were connected last year. By the end of the year only 55 were still hooked up.

The small study then looked at 92 subscribers who had both cable television and a telephone service linked through the cable network to Mercury Communications, the Cable and Wireless rival to British Telecom. All 92 were still subscribing a year later.

"I didn't want to believe it. I asked my executive did he hand-pick them," said Mr Carlton with a laugh.

The results illustrate in a dramatic way the marriage of cable television and telecommunications services that is starting to happen all over the UK from Edinburgh, through Birmingham and the Midlands and Avon to London and the south coast and areas such as Portsmouth and Brighton. Next year the places where cable telephone services will start to become available will include Newcastle, Blackburn and Liverpool.

The increasingly close link between cable television and telecommunications is symbolised by the link between TCI and US West itself.

"We are each trying to learn each other's technology," says the TeleWest executive. In most cases where telephone services are being offered or are about to be offered the franchise investors include North American telephone companies, including Nynex and South Western Bell as well as US West and Bell Canada.

The involvement by cable companies in providing telecommunication services goes back only a few years to the days when a small number of operators led by The Cable Corporation started installing telephone lines. Apart from good quality circuits the main advantage on offer was discounts averaging between 10 and 15 per cent. The demand was much greater than expected and telephone earnings started to outstrip those from conventional television channels.

The results of the survey illustrate the marriage of cable television and telecommunications services in the UK

Quite apart from the prospects for reducing churn, cable companies are also finding it easier to market their services when they can offer the combination of television channels and telephone services complete with special discounts for those who take both.

Some consumers see extra television channels as a discretionary purchase, perhaps even a bit of self-indulgence but the possibility of 15 per cent off their telephone bills is viewed in a much more practical manner.

Depending on use, the savings on telephone bills could cover the cost of the extra television channels.

It has now become conventional wisdom that the way forward is to offer combined television and telephone packages from the start.

TeleWest, for example, is planning to construct 2,000 miles of cable network next year which will make the service available to a further 375,000 homes.

East London Telecommunications, which owns six cable franchises in the London area covering about 630,000 homes and is now controlled by BCE Telecom International, a subsidiary of Bell Canada, plans to launch a large construction initiative in December offering a combined telephone and television service in the London borough of Redbridge.

Videotron, the Canadian cable company which has 69,500 cable subscribers in the UK and only 2,500 residential and 1,000 business telephone subscribers in its Southampton franchise, has now decided to pause and go back to its existing south London networks to add telecom capacity.

As a result the company will reduce its annual rate of construction to 35,000 new homes passed a year instead of the present figure of more than 100,000.

The case for upgrading is simply made out by the figures. It will cost Videotron around £80 to £90 a home to upgrade existing networks but telephony revenue will almost equal the cable figure of around £200 a year.

Mr Bill Aitken, cable operator marketing manager for Mercury, has seen the change in attitude to cable telephones services at first hand.

Eighteen months ago he was selling a few lines a month to the cable industry. Now the figure is running at around 10,000 a month.

Official figures from the Independent Television Commission, the industry regulatory body, show that from the beginning of January 1991 the number of cable lines has grown from 2,224 to 47,902 on July 1 this year.

Mr Aitken believes the actual number is larger and the rate of increase is rising. It is limited mainly by the rate at which the cable industry can construct its networks. By 1994 there could be more than 300,000 cable telephone lines in place.

For Mercury, cable gives important access to the local loop which is otherwise totally dominated by BT although further competition is on the way.

Cable operators are already starting to suggest penetration rates – the ratio of homes passed by the cable network to those actually subscribing – of 40 per cent for television services and 25 per cent for telephone services.

CABLE AND SATELLITE BROADCASTING 5

In the picture: the broad field of vision across Europe provided by the Astra satellites

Alice Rawsthorn examines developments in continental Europe

Underground connections

FOR more than a decade President François Mitterrand's governments have unveiled *Les Grands Plans* for everything from architectural monuments to modernising France's airline industry. But none of his schemes has backfired quite so noisily as *Le Plan Câble*.

Ten years ago, when the French government unveiled its ambitious plans for developing the cable television system, *it painted a rosy picture of* technological progress and wider cultural choice with at least 1.25m households subscribing to cable by the end of this year.

Le Plan Câble is running well below expectations with just over 800,000 French homes connected to cable. There is no shortage of scapegoats. There have been damaging disputes over technology. Canal Plus, the dynamic pay-TV station, has coaxed subscribers away from cable. The television market is so over-crowded that La Cinq, one of the terrestrial channels, filed for bankruptcy earlier this year. But the fact remains that, so far, President Mitterrand's *Le Plan Câble* has been a flop.

Over the border in Belgium, *the picture is very, very different*. At a time when France's fledgling cable system is struggling to establish itself, the Belgians are tussling with the opposite problem of adapting to life in a mature market.

Belgium has the highest penetration level of cable television in western Europe with 88 per cent of all households plugged into a network. The penetration level is still rising, but very slowly. The Belgian operators are now concentrating on upgrading their existing systems from 300MHz to 450MHz formats so that they can carry more channels, thereby boosting their revenue.

The contrast between the condition of the French and Belgian cable systems could not be more marked, but it is indicative of the broader picture across the rest of Western Europe. There are now around 70m "cable homes" in the region, which means nearly half of all households are connected to cable television.

The latest study by CIT, the London-based communications research consultancy, suggests that the number of wired homes in western Europe had reached 67.9m by the beginning of this year, an increase of 8 per cent over the same period in 1991. But the level of penetration varies from country to country – from Belgium with 88 per cent to Italy, Spain *and Portugal where cable* usage is still negligible.

After Belgium, the most mature market is the Netherlands, where 5m households are connected. Dutch operators, like their Belgian counterparts, are investing heavily in upgrading their systems to 20- or 30-channel formats.

Germany is the largest market with more than 10m homes, just under a third of households, subscribing to cable. However, the German market, which began expanding at about the same time as the French market in the early 1980s, is still growing rapidly.

The number of cable homes rose from 8.1m at the beginning of 1991 to 9.8m by the start of this year, according to CIT's research. Most subscribers are concentrated in the old German länder, where more than half of all households are connected to cable.

DBP Telekom, the telecommunications group which has led the development of cable in Germany, is adopting a similarly ambitious approach to cabling the new länder. Telekom's target is to increase the number of homes in these areas with access to cable from 183,000 to more than 800,000 in the course of this year.

Meanwhile, the French government has desperately been trying to breathe new life into its flagging cable system. Ear*lier this year it launched* a new *Plan Câble* offering special price-cutting incentives to new subscribers and abolishing the law whereby private landlords could prevent their tenants from installing cable.

France Telecom, the state-controlled telecommunications group which has provided cable technology to private sector operators, has slashed its leasing fees. However, the cable system is still struggling and, in spite of the operators' promotional efforts, the "churn" rate of people cancelling their subscriptions is still uncomfortably high.

Sweden is also trying to revitalise its system, which covers 1.8m homes, by relaxing controls. The Swedish cable market was deregulated at the start of this year. Operators no longer need to be licensed by Kabelnämnden, the regulatory authority, and the ban on local channels accepting advertising has been abolished.

Meanwhile, Spain is starting to establish a legal cable service. Pirate community video systems surfaced all over southern and eastern Spain in the 1980s and are now thought to cover more than 1m households. The government is finalising proposals for an official system of localised independent networks and "super networks" which will encompass several towns.

Spain is seen as one of the main growth markets for cable, as are Italy, Portugal and Greece, where the governments have been less active at tabling legislation, but are likely to accelerate their efforts over the long term.

However, these southern European markets may be slow to take off and, in the short term, CIT expects Germany, France and the UK to provide much of the cable industry's growth in the mid and late 1990s. It forecasts steady growth for the western European market throughout the decade with the number of cable homes rising from 26.4m to 44.7m, or from 18 per cent to 27 per cent of all households.

In spite of this expansion, the market is expected to remain confused and fragmented. The structure of the cable industry varies so much from country to country that pan-European channels, notably MTV, the pop video station, and the Screensport sports service, still face an administrative minefield of negotiating different deals in each market.

This scenario is unlikely to change, however quickly the market expands.

Simon Davies reviews the complex and challenging Asian market

A minefield of uncertainty

IT IS somewhat ironic that Asia's only pan-continental satellite broadcaster, was born and bred in Hong Kong, and nourished with the colony's capital, yet it is scarcely watched there. The reason is one of the factors that makes regional broadcasting in Asia such a minefield of uncertainty: regulation.

Since Star Television, a joint venture between Hong Kong's Hutchison Whampoa and its controlling shareholder Mr Li Ka-shing, commenced broadcasting in 1991, its focus has slowly shifted from the main market on which it had been expected to concentrate, south-east Asia, and on to the poorer sub-continent. In many cases, this is because it has had no choice.

In Malaysia, satellite broadcasting has been effectively banned; in Singapore, the only access is through programme sales to the terrestrial broadcasters; in Hong Kong, regulations on subscription and Cantonese broadcasting have restricted viewing; while in Korea, it has sparked a whole debate over cultural imperialism.

In fact there are only three markets where Star's regional broadcasting can be considered to have made a substantial impact: India, Taiwan and Israel, which account for 90 per cent of the 3.08m validated homes capable of watching Star. Of these markets, Taiwan was the *only* expected success.

The attractions of satellite broadcasting in the Asian continent are obvious. Star's five channels are transmitted by the AsiaSat 1 satellite, which has two footprints, one covering Japan and China, the other stretching from Indonesia to Turkey: they cover a population of 2.75bn, or more than half the world's people.

Asia contains many of the fastest-growing economies in the world and it is a region where most viewers are subjected to minimal choice from terrestrial broadcasters.

In India, for example, the government channels have long been lambasted by the world's second most populated nation. The reaction to Star has been apocalyptic and the broadcaster has already spawned more than 10,000 cable television operators, providing a validated audience of 1.3m homes. Star claims this will exceed 2m by the end of the year.

The attractions of Asia have not gone unnoticed internationally. CNN has recently moved to use Indonesia's Palappa satellite and there is talk of the Australasian broadcasters launching regional services.

Groups such as Time Warner and Millicom have also been attracted to the region and are discussing broadcasting plans. But most of the Asian satellites are more oriented towards telecommunications than television and none can offer the range of AsiaSat's footprint to provide regional competition.

Japan already has broadcasting on the two KU-band Japan Communications Satellites, but transmission only spills over to Korea and Taiwan and separate dishes would be required to receive both JCSat and AsiaSat, since the latter broadcasts on C-band.

Further C-band channels are to be launched in Thailand, while plans are being discussed in Malaysia, South Korea and Pakistan, but these will all be primarily localised broadcasting, compared with Star's BBC news service, international sport, general entertainment, MTV and Mandarin channels.

There are three markets where Star's regional broadcasting have made a substantial impact: India, Taiwan and Israel

Since Asia represents a very difficult market, because it offers no homogeneity of language, culture, regulations, or spending patterns, new local satellite channels should primarily complement the regional broadcasters.

Star is offering a free-to-air service, relying almost exclusively on advertising revenue. Potential annual advertising revenue, assuming full utilisation at current prices, would amount to $US872m. At present it is believed to be getting less than 10 per cent of that, although it has picked up substantial accounts such as Nike and Coca Cola.

But while advertisers are not over the moon about the opportunities offered by Star, there is growing confidence that it represents an extremely exciting long-term medium.

"Our view is that Star is going to be a major player in the Asian broadcast scene," argued Mr Garry Brown, media director of Leo Burnett. "The thing that has overcome our initial scepticism is not what has happened in the last 12 months, but what will happen in the next five years," he said.

*He sees it offering new chan*nels which will provide a more focused audience, but it will also shake up the existing broadcasters and force them to improve their product.

Star has been forced to take a flexible approach in expanding distribution. In Singapore it will provide some programming for cable TV, while in the Philippines, one of the television channels has started rebroadcasting Star's MTV channel.

In India, it has effectively sub-leased a transponder to an outside operator which is launching a mass market Hindi channel, to capitalise on Star's successes in India.

But wherever is has been launched, it is acting as a cata lyst both in the quality of programming on offer, and in the regulatory environment.

It has effectively forced Asian governments to focus on issues such as the intrusion of foreign language and foreign culture and to develop broadcasting policies which reflect global advances.

Mr John Ure, research associate at the Hong Kong University, argued that "even if wasn't inevitably for reasons such as the difficulty of policing and the march of technology, the demand from within these countries is going to require greater flows of information and programming".

At present Star is relying principally on cable distribution to create its audience. Given the lack of competition, it has succeeded in building up close relationships with the operators. However, as satellite broadcasting gains greater acceptance in Asia, competition is inevitable.

At present, Star has exclusivity rights to AsiaSat 1, with six transponders on each footprint. It will be aided by the latest digital compression and encryption technology, which will enable broadcasters to offer more than one channel per transponder and to scramble the broadcast to beat the pirates and make it a more attractive option for programme sellers.

AsiaSat 2 will offer further potential for expansion. The second satellite is due to be launched in 1994. It is not known whether Star will enjoy the exclusivity rights it took for broadcasting from the first satellite. But even if another broadcaster were to use the satellite, this would further establish AsiaSat as the obvious choice for cable operators.

*The costs of setting up a sat*ellite are also fairly prohibitive – Star had an initial budget of $US300m – while the medium's track record in Europe is likely to substantially restrict the number of new entrants.

In spite of these difficulties, Star accepts that competition is inevitable. But with more than 2bn potential viewers, there is clearly room for a number of niche operators.

Developments in North America reviewed by **Patrick Harverson**

Battle over regulation

REGULATION has been the dominant issue in the US cable television industry this year, or to be more precise, re-regulation.

The cable television industry was deregulated in the mid-1980s under the 1984 Cable Act, but last month the House of Representatives and the Senate voted by overwhelming majorities to pass a bill that will re-impose rate regulation on basic cable television providers who face no competition from other multi-channel TV services. The bill is also designed to stimulate competition against cable-TV monopolies.

The legislation attracted enormous publicity. The cable industry, backed by some powerful Hollywood production companies, conducted a huge lobbying campaign against the bill, while the consumer groups and cable competitors (such as network television broadcasters and providers of satellite and microwave services) who initiated or supported the legislation worked equally hard to ensure its safe passage through Congress.

The debate on regulating cable was also aired in scores of newspapers, and via television screens where cable providers ran anti-regulation advertisements aimed at persuading viewers to lobby their Congressmen to stop the legislation. Even sports fans could not escape: one commentator, working for a powerful cable company, voiced strong opinions on the industry regulation in the middle of a baseball game last month.

The president, in the heat of a fierce election *battle, has also* been involved in the controversy. After the House vote he attacked the bill as full of "costly, burdensome and unnecessary requirements", and promised to veto it, suggesting Congress would better serve the consumer by "promoting vigorous competition, not massive re-regulation".

A presidential veto, however, is unlikely, given that Congress has the required two-thirds (plus one) majority among senators and representatives to override the veto. Mr

Continued on page 6

Raymond Snoddy looks at two new projects for cable TV viewers

A Quantum leap forward

IN THE US, long the original home of multi-channel television, the number of channels available to viewers is starting to take a quantum leap forward. Two contrasting projects, each designed to offer no fewer than 150 channels, one involving the use of fibre optic cable technology and the other high power television satellites, show what is becoming possible in a country where 60 per cent of homes already have cable television and 70 channel systems are not unusual.

Now, 3,000 cable subscribers in the New York borough of Queens can chose from 150 channels through Quantum, a project set up by Time Warner, the world's largest media organisation. Fibre optic trunk networks have been added to the existing co-axial cable

The "conventional" 75 channels carried by the system include channels for Korean, Chinese, Indian and Greek minorities.

The aim of the new system is not to multiply endlessly the number of separate channels beyond the capacity of programme providers to supply or viewers to choose. At the heart of the Quantum project is a significant development of pay-per-view movies – charging for each film viewed.

No fewer than 57 channels are given over to around 15 films a week. Because of the enormous channel capacity five channels can be devoted to showing a single hit film – say JFK – with staggered starts so that on one of the channels the film is starting anew every 30 minutes. Using a system that appears to be as much a personal computer as a television set the converter boxes produced by Pioneer of Japan offers viewers menu options on the screen for ordering films. Viewers press a button to call up any one of six hit films. Hits costs $3.95. Adult movies cost $4.95 with children's films $1.95.

Quantum says the first 5,000 systems delivered from Japan have already been snapped up with some people taking more than one for different rooms of the house.

The Quantum project has been hailed as the beginning of a new phase in cable technology.

It is also a sign of the increasing interest being shown in creating yet another revenue "window" for the movies. In timing pay-per-view will probably slot in immediately after the theatrical release of a film and before video rental and sale. Then it is on to premium films channels on cable before films finally end up on normal broadcast television and "classic" or old movie channels.

No figures are yet available; some of the boxes were only installed in July and Time Warner plans to take the system to other cable networks.

As well as offering more chances to see recent films the system offers the possibility of interactivity – two-way communication for everything from home banking to home shopping.

On a larger scale, Hughes Communications is pushing ahead with a plan to offer 150 channels of satellite television all over the US.

Hughes, the aircraft and communications division of General Motors, has already committed $500m to the project with the first of three satellites due for launch late next year. The actual programme service is due to begin in 1994.

Mr Eddy Hartenstein, president of DirectTv, a Hughes subsidiary, says the company simply decided to go ahead on its own after it proved impossible to create a workable consortium.

Hughes brought together some of the leading players in the industry – Mr Rupert Murdoch's News Corporation, NBC, the network broadcaster and Cablevision, the cable television operator. A memorandum of understanding was signed but Hughes was unable to get agreement with the other potential partners on an acceptable balance of risk and benefit.

It also did not help that Mr Murdoch was experiencing a $7.6bn debt crisis which meant that for News Corp new high-risk ventures were definitely on the back-burner.

Hughes decided it could go with the venture when Mr Stanley Hubbard's United States Satellite Broadcasting consortium committed to take five channel transponders on the first of the three 16-transponder satellite. United States Satellite Broadcasting also paid $50m up front of a total commitment of more than $100m. USSB will be running its own programme service.

The system plans to use digital compression techniques – turning the pictures into digital form – to multiply the number of channels that can be carried on a single transponder that now broadcasts one channel.

The home receiving system, which will be distributed under the RCA brand name, is designed to retail initially at around $700m. The high power satellites will broadcast to 18-inch satellite dishes.

The venture is primarily aimed at the 40m US homes that do not have cable television but could also offer more choice in areas where it will be expensive to upgrade old cable systems.

Mr Hartenstein believes the company could be reaching 10m homes by the end of the decade.

A large slice of the channel capacity – no fewer than 40-50 channels – will be devoted to a pay-per-view movie service with films starting every 30 minutes.

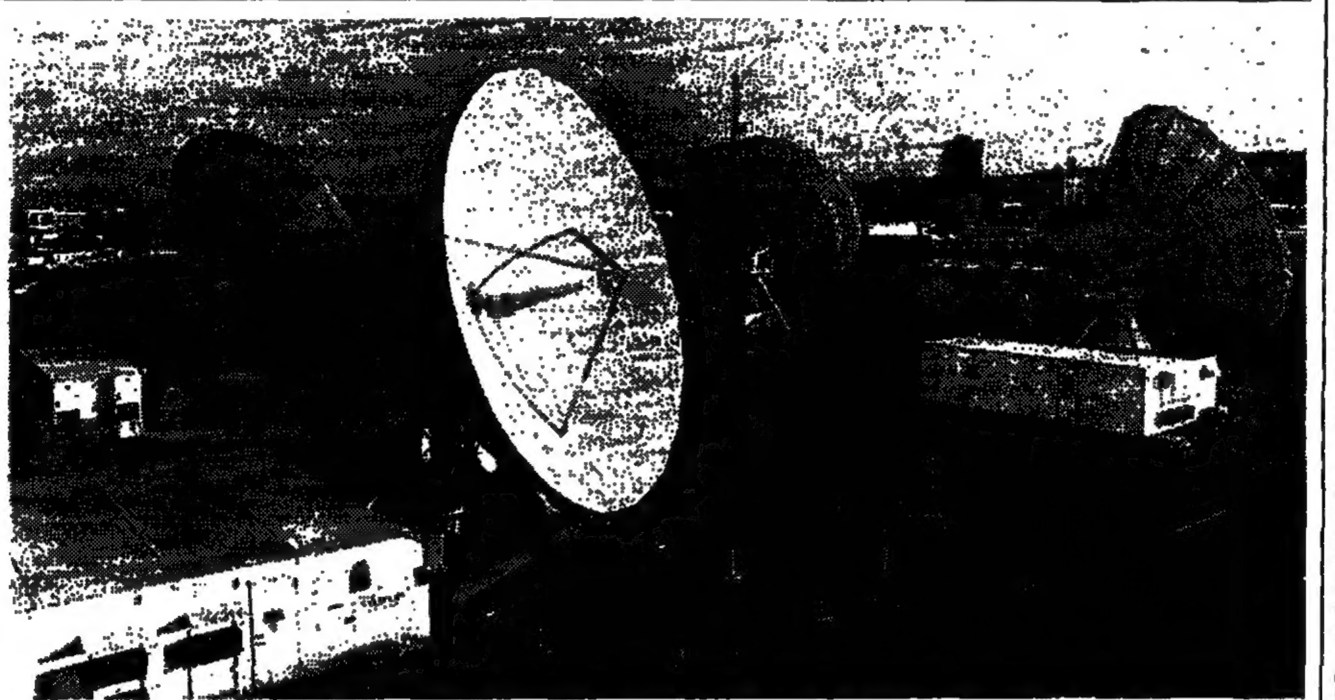
A second important strand of programming will feature subscription sports television. The service will cover big games not being broadcast by conventional national broadcasters.

Earlier this year Hughes also signed a deal with the National Rural Telecommunications Co-operative. The deal allows NRTC, which provides telecommunications and electric services to more than 12m rural homes, to market a package of 20 channels of cable and broadcast television programmes in return for a distribution fee of up to $250m. The majority of homes in rural areas do not have access to cable television.

Both Quantum and DirectTv are signs not only that more channels of television are on the way but that films on demand and the associated revenues are fast becoming a practical proposition in the US.

Shiraz Sidhva on a revolution in screen entertainment

Indian TV is looking up



Best of all worlds: the London teleport transmits pictures for BSkyB in Europe, Star TV in Hong Kong and M-Net in Africa

AT A BAR in downtown Bombay, hundreds of teenagers swing and sing along to the music of MTV, seeing wild images on the Indian television set that had otherwise censored even a kiss.

In New Delhi, the main topic of discussion at a ladies' card party is what happens next in the two soaps that have most of urban India hooked – The Bold and the Beautiful and Santa Barbara.

And the drab images and stale news of the nine o'clock news on state-owned television has been upstaged by the BBC's slick news coverage on the hour.

Satellite television has taken India by storm, and it is only a year since Hong Kong's Star (Satellite Television Asian Region) TV first beamed its test channel to a country where television viewers had never had the luxury of switching channels.

A recent survey by the Hong Kong-based market research firm, Frank Small and Associates, shows that India is Star's biggest viewer (other countries in the the satellite footprint include Hong Kong, Israel, Korea, Pakistan, Philippines and Taiwan), with 1,282,500 homes having access to the network by June 1992. This is a phenomenal increase of 211 per cent over Star TV's access to only 412,500 homes in January this year, making Star's marketing team who visited India last month confident that the network grows in India by 5,800 homes a day.

Even a year ago, government officials who controlled the state-owned Doordarshan had dismissed the satellite and cable invasion, saying that only the very rich would be able to afford it, and they had access to video anyway.

Today, the short-sighted attitude of government officials, who felt they knew best what Indians should watch, has meant that fewer people are watching the dull entertainment and political propaganda that Indian television has been dishing out since the late Sixties, when a national television network was established in the country.

Star TV offers four 24-hour channels – the entertainment Star Plus, BBC's Asia Service, Prime Sports, and music videos on MTV. Most cable operators who sell Star by subscription (the average monthly rate is Rs120 [£2]) offer an extra cable channel showing popular Hindi cinema, which is still the largest draw for Indian audiences.

Perceiving this, and realising the vast advertising potential that India has to offer, Star will shortly provide a fifth channel – Zee TV, a Hindi entertainment channel which will run the latest hits from India's film industry.

Apart from Star, Indian cable operators offer the American CNN, which is far less popular, and PTV, a Pakistan television network, which has worried the government about the effect of political propaganda from across the border.

Also, though the government is still complacent that it will be a long time before Star and other television networks give Indians, especially in the villages, access to uncensored news and unabashed entertainment, television experts reckon that at least a third of India will have access to satellite television by the end of the century, making it part of the global village virtually overnight. Though much of Star's fare is mediocre, at least people have a choice without state censorship.

Regulation battle

Continued from page 5

Bush is proud that his veto has never been overriden during his term of office, and it is improbable that he would accept the humiliation of defeat by Congress so close to the election, especially over an issue that is not particularly close to his heart and that is popular with voters.

The bill is an ambitious attempt by consumer groups to place restrictions on prices for basic cable services, and open up the local monopolies that many cable providers enjoy to competition from outside.

Over the years, consumer advocates have been critical of the price and quality of cable services. Figures show that cable rates have risen by 60 per cent, many times the rate of inflation since 1986. At the same time, cable providers are monopolies in most cities, and subscribers have long complained of the poor service they receive for their money.

The present legislation is aimed primarily at "basic" cable services, which are the broadcast, government, public, educational channels and the so-called "superstations". These include TBS, part of Ted Turner's media empire, which owns a host of cable channels including the Discovery and Family Channels, TWX, part of Time Warner and owner of the greatly-watched Home Box Office (HBO) and Cinemax movie channels, and VIA, owner of MTV, its music counterpart VH-1, and several other popular channels.

Rate regulation would be the responsibility of the Federal Communications Commission, the government's broadcasting watchdog, which would regulate basic rates wherever local authorities fail to, or cannot, set guidelines of their own.

Additionally, the bill will bar cable programming affiliates from refusing to sell programmes to cable competitors, and bar local franchising authorities from issuing exclusive cable TV franchises. It will also allow over-the-air broadcasters (such as the big networks) to negotiate with local cable operators for fees, promotions, channel positioning and other considerations. Under the present law, cable operators get over-the-air broadcast signals for free.

In spite of all the controversy surrounding re-regulation, industry observers believe that if the cable business is to be regulated once more, the bill Congress has passed is the least restrictive legislation cable companies could have hoped for. "It's a liveable bill," says Jessica Reif, cable industry analyst with broking house Oppenheimer in New York. "Nobody ever wants to be regulated, but it is not a tough bill and at least it gets all the uncertainty out of the way."

So why did the opponents of the bill make so much fuss? Their argument against it was relatively simple: re-regulation would push up cable companies' costs significantly, and those higher costs would have to be passed on to the consumer in the form of higher subscription rates. In private, cable providers feared losing valuable monopolies, and were especially concerned about competition from big telephone companies, who want to offer television programmes and other electronic information services over their communications networks.

Yet the cable industry also tried to block the bill because of an inherent fear of any kind of regulation. In the early days of the bill's drafting it was particularly nervous about how far the legislators would go, and indeed, the bill that was eventually passed was a watered down version of the one originally proposed in the Senate earlier this year.

The best indication of how restrictive the new bill will be for cable companies came from the stock market, which took the news of the bill's passage through Congress in late September with a remarkable degree of equanimity. This sober response suggested investors regard the bill as little threat to cable companies, at least for now, and it contrasted with the big sell-off in cable stocks that followed the first House vote on re-regulation in July.

Even if the new bill is relatively mild, cable companies will face fresh competition as the 1990s progress. In June the FCC voted to allow broadcast networks (ABC, CBS, NBC) to buy local cable television systems, ending a 22-year old ban. The new FCC ruling, however, carried restrictions aimed at preventing the big networks from putting local broadcasting stations out of business.

Even with greater competition, the future remains bright for cable companies in the US. One avenue with particular potential is pay-per-view television – where the cable subscriber pays a one-off fee to watch a special event or programme. Since 1988 revenues from pay-per-view have more than doubled to $388m. More than 18m homes in the US are able to order pay-per-view, and industry observers forecast that figure to reach 32m homes, paying as much as $1bn, by 1995.